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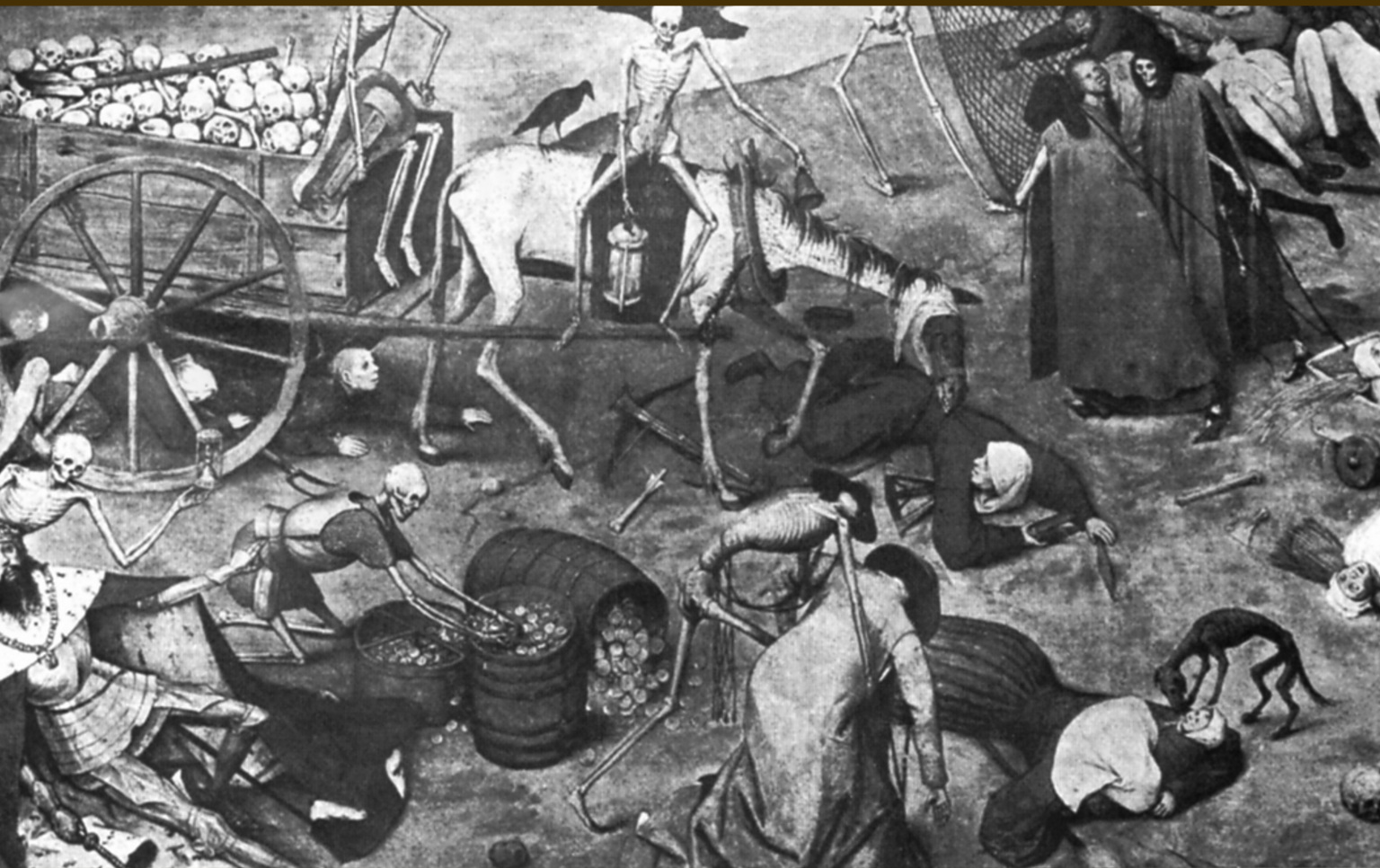
Executive Intelligence Review

February 8, 2002 Vol. 29 No. 5

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U.S. Accountable for Israeli Warsaw Ghetto Methods
Bush's State of the Union: Marching Into a Swamp
Argentine Blow-Out Shows Only LaRouche's Policy Works

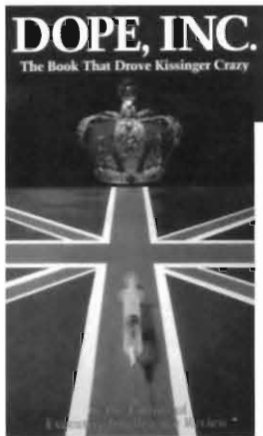
The Economy: At The End of a Delusion



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*EIR (ISSN 0273-6314) is published weekly (50 issues)
except for the second week of July and the last week of
December, by EIR News Service Inc., 317 Pennsylvania
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)
544-7010. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirms@larouchepub.com*

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0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

Japan subscription sales: O.T.O. Research Corporation,
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo
160. Tel: (03) 3208-7821.

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and at an additional mailing offices.

Domestic subscriptions: 3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to *EIR*, P.O. Box
17390, Washington, D.C. 20041-0390.

From the Associate Editor

There's no way of getting around it: The people who are running United States policy are insane. The President's State of the Union speech was an unmitigated disaster, and suggests that the "clash of civilizations" ideologues who masterminded the Sept. 11 terror attacks have succeeded, at least for now, in achieving the policy goals of their coup d'état against the Presidency. As part of this, the U.S. government is giving unabashed support to Israel's Ariel Sharon, in carrying out an extermination policy against the Palestinians, modelled explicitly on the Nazi extermination of Jews in the Warsaw Ghetto. Queried on news reports that Israeli Defense Forces officers are studying the actions of the Waffen-SS against the Ghetto in order to copy them, an Israeli official spokesman said that it was perfectly "legitimate" for them to do so. And further, as the economy sinks deeper into depression every day, the U.S. Administration announces that the "recession" is over, and we are now going to gear up for a \$48 billion increase in military spending, for war on those who are said to constitute an "axis of evil."

The good news is, that there exists a political leader who is *not* living in a state of delusion, but who is prepared to tell the truth, and who knows what must be done to steer the world economy out of the maelstrom into which it is descending. In our *Feature*, Lyndon H. LaRouche, Jr. contributes the Foreword to a forthcoming book-length study of economic recovery policy. "We have, still," he writes, "even at this late date, the opportunity to survive, but, if that is to occur, two conditions must be met. First, we must make the implied sudden, and radical, changes in the cultural paradigms governing our policy-making. Second, we must do this promptly, without whimpering delays." The full study will contain a longer methodological analysis by LaRouche, complemented by a ground-breaking historical report on how President Franklin D. Roosevelt got the country out of the Depression of the 1930s, using the methods of the American System of political economy.

For LaRouche's statement on the fascist Israeli government policy, "Götterdämmerung in Palestine," see *International*. This statement is being circulated in 100,000 copies, to mobilize people of good will everywhere, including in Israel itself, to join LaRouche and stop the genocide.

Susan Welsh

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Detail from "The
Triumph of Death,"
by Peter Bruegel.



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The Foreword, by Lyndon H. LaRouche, Jr., to a Special Report on economic recovery policy from the current depression, and its crucial distinctions from the Great Depression of the 1930s. Writes LaRouche: "We could recover successfully from the presently deepening world economic depression, *but only if we now choose to do so*. It is Hamlet's challenge again: To be, or not to be. To accept the deadly heritage of our nation's recently habituated folly, or to free ourselves from the deadly shackles of prevailing opinion, that we might ascend to the sublime, and triumph over the fatal error of our recent times."

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Once again there is war over Troy—the old war, over the question: Does Homer’s *Iliad* have an historical foundation, or is the epic only a product of the bard’s fantasy? The spur to this new warfare was the first stage of an excellent exhibition opened in March 2001 in Bonn, Germany on the theme, “Troy: Dream and Reality,” in which the latest research results are put before the public.

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Argentina Proves: If It Isn't LaRouche's Plan, It Won't Work

by Dennis Small

“The governments of Ibero-America will be soon confronted with saving their nations from the chaos which a collapse of the international banking system will bring. When the imminent banking collapse occurs, those governments will be confronted with political decisions which must be made within days. There will be no time available for scholarly commissions to spend weeks or even months in constructing long-winded academic treatises. Governments must act immediately, within days, in decisions which have revolutionary impact on existing banking institutions and monetary agreements, decisions of broad and profound scope, and of great pungency and substance.”

This extraordinary prognosis was written almost 15 years ago by Lyndon LaRouche, in an introduction to the Schiller Institute's Spanish-language book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000*.

For Argentina, the clock has been ticking off those proverbial “days,” ever since an explosion of popular outrage on Dec. 19-20 last year toppled the government of the singularly grey President Fernando de la Rúa, and his Harvard-trained sorcerer, Finance Minister Domingo Cavallo. The intervening weeks since then have witnessed a succession of Argentine governments, each stumbling around in search of a viable policy to tame the country's crisis, to the counterpoint of an interminable international procession of self-serving “experts,” each eager to “draw the lessons” of the Argentine blow-out.

The International Monetary Fund blamed Argentina for failing to apply IMF policies with sufficient rigor. The *Wall Street Journal* blamed the IMF for lending Argentina too much money and not cutting them loose sooner. And U.S. Treasury Secretary Paul O'Neill, with his characteristic tact,

pronounced that Argentina has “been off and on in trouble for 70 years or more. . . . And they like it that way. Nobody forced them to be what they are.”

What the Argentine debt blow-out actually shows, however, are two facts that confirm LaRouche's words, facts that all of the above-mentioned actors find too unpleasant to admit publicly . . . at least for now:

1. That the Argentine crisis is merely a microcosm of the global financial blow-out, and that it is small change compared to what is coming in Japan, and on the dollar markets more broadly; and

2. That, by their very nature, neither the global financial crisis nor its local Argentine expression, can be solved by any reforms or measures short of LaRouche's plan for a complete bankruptcy reorganization of the entire international financial system, and of national banking systems with it. Other proposals may be deemed more politically palatable or expedient; the only problem is, *they won't work*—not in Argentina, and not globally.

An analysis of the Argentine case shows why. We will demonstrate that what used to be considered *domestic debt* in Third World countries, has been thoroughly *internationalized* over the decade of the 1990s, and that a single, globalized *foreign debt* bubble has thereby been created—a bubble which is today largely illegitimate, completely bankrupt, and which has dragged nearly every national banking system in the world down with it, into de facto insolvency.

The Debt Is Illegitimate

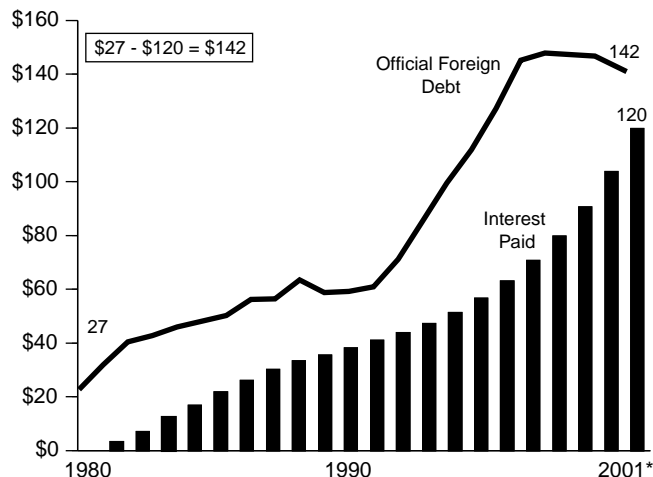
We begin by presenting the now-notorious “Bankers' Arithmetic” (**Figure 1**).

Argentina's official foreign debt rose steadily from \$26

FIGURE 1

Argentina: Bankers' Arithmetic

(Billions \$)



* June 2001

Sources: World Bank; Finance Ministry, Argentina; EIR.

billion in 1980 to about \$60 billion in 1990; it briefly stabilized for a few years; and then it climbed again to \$142 billion in 2001. Over this 21-year period, Argentina paid a total of \$120 billion in cumulative interest payments alone—i.e., amortization payments are excluded from consideration. This \$120 billion amounts to almost 4.5 times the original debt owed back in 1980; and yet, that principal grew more than fivefold over the same period. Or, in bankers' arithmetic:

$\$27 \text{ billion} - \$120 \text{ billion} = \$142 \text{ billion.}$

This representation of bankers' arithmetic—which holds as true for the entire Third World debt as it does for Argentina—points to the underlying *illegitimacy* of the country's foreign debt. What we mean by illegitimacy, is that the debt showing on the books either was never actually contracted or received by the debtor party in those amounts; and/or, that the amounts originally contracted and received have been fully paid off one or more times—this as measured in the same units of economic account in which the debts were originally contracted.

In the case of Third World debt (such as Argentina's), that unit of account is best conceived as a proportion between the dollar (the general debt currency) and the physical economic wealth generated by the debtor; a proportion which is, typically, mediated through the debtor country's national currency.

What shows up as the outrageous "bankers' arithmetic" is, thus, actually caused by four underlying factors:

Arbitrary, forced devaluations of the debtor country's national currency. These have the effect of instantaneously

raising the foreign debt owed, as measured in local currency (i.e., the closest monetary equivalent of domestic physical economic production). For example, Argentina's official foreign debt of \$142 billion could be paid off, for most of 2001, with 142 billion pesos, since there was a one-to-one fixed exchange rate between the peso and the dollar. But when the Eduardo Duhalde government in January 2002 devalued the peso to 1.4 to the dollar, Argentina's official foreign debt leapt from 142 billion pesos, to 200 billion pesos, in the twinkling of an eye.

Deterioration of the debtor's terms of trade. This simply means that the goods that debtors import (typically, manufactured products) rise in cost, while the goods they export (typically, agricultural and mining primary products) drop in price. Thus, the physical-economic equivalent required to pay off a given amount of debt, rises over time.

Rising interest rates. In less polite terms, this is known as the usury syndrome. Once a country is indebted and beholden to its creditors, they arbitrarily jack up interest rates and make the servicing of the original debt impossible. What ensues is a roll-over or refinancing process, whereby unpaid interest is capitalized (enlarging the debt), and new, higher interest rates are set on the new, larger debt.

In the 1980s, the ratcheting up of interest rates was accomplished mainly by Federal Reserve Board Chairman Paul Volcker's stratospheric interest-rate policy. More recently, the preferred mechanism has been to use credit-rating agencies such as Standard and Poors and Moody's. By decreeing that a given country, such as Argentina, has become a greater "risk" for lenders (usually because they have hesitated at implementing one or another IMF conditionality), these agencies trigger an across-the-board interest-rate rise for the borrower, by pronouncing that their "country risk" factor has worsened. For example, Argentina's "country risk" broke 3,000 points at the height of its 2001 crisis—meaning it had to pay 30% more than the yield on equivalent U.S. Treasury bonds, for any lender to place money with them.

Illegal capital flight. This is wealth in the form of foreign exchange that is literally stolen from the country, wealth which could otherwise have been used to develop the country, and/or to pay down the foreign debt. For example, in Argentina today there are criminal investigations under way in the courts and in the national congress, which are looking into capital flight of up to \$30 billion, over the two- to three-month period at the end of 2001. Those accused of this plunder are the country's principal banks—HSBC, Citibank, BBVA, and so on—which are also major creditors of the Argentine government and private sector.

What we have here is the equivalent of the loan shark who first picks your pocket, and then howls in protest when you tell him you no longer have the money to repay him. In the case of the loan shark, the solution is obvious: a) arrest him for theft; b) take back the money he stole from you; and c)

recalculate what you owe him, to see if there is any *legitimate debt* left after you subtract for the above four factors. Whatever is illegitimate should not be paid—because it is not actually owed.¹ Or, as LaRouche succinctly put it in answer to a question about Argentina during his Jan. 24 webcast:

“If you impose upon a nation, policies which bankrupt it, which threaten its people biologically, which threaten genocidal effects, then your financial claims, on account of that system, *have no moral authority, per se*. Therefore, your claims are subject to reexamination, from the standpoint of bankruptcy proceeding, under the principle of the General Welfare.”

A Tale of Two Bubbles

Return to Figure 1, and note that Argentina’s official foreign debt levelled off for a few years around 1990, and that a similar process would appear to be under way today. But, appearances are deceiving.

What happened in the early 1990s is that Argentina was one of the first countries to be subjected to the “Brady bond” reorganization of its foreign debt. Under this plan, debtor nations that had reached the limit of their ability to service their foreign debt, and were at the edge of default, were encouraged by the U.S. Treasury Department (at the time headed by Nicholas Brady) to issue a new form of bond in exchange for their old, non-performing loans. And so, “Brady bonds” were born—although they were actually the brainchild of the Deputy Secretary of the Treasury, David Mulford.

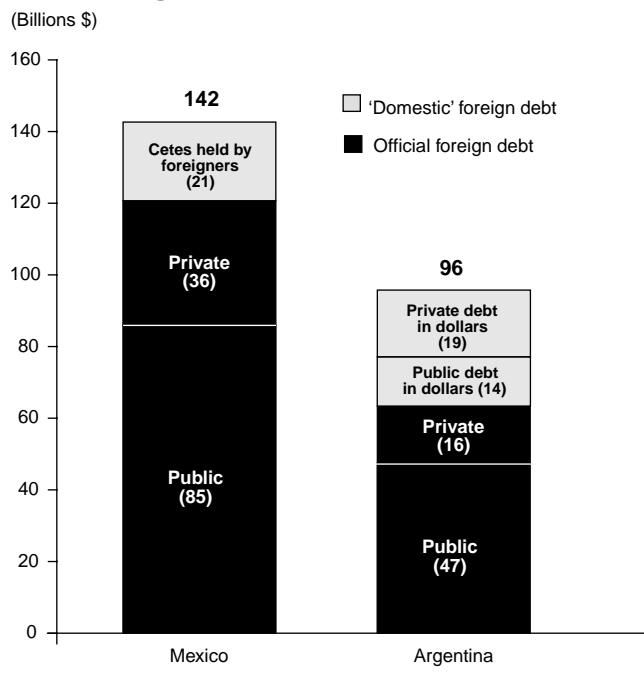
This swap of bonds for loans momentarily lowered the victim countries’ total foreign indebtedness, in exchange for their agreeing to fully implement the Thatcher-Bush New World Order of unrestricted free trade policies, policies which are collectively known as “globalization.”

Thus, a new looting mechanism was successfully put in place in the early 1990s across most of the Third World, just at the point that the previous approach could no longer extract sufficient physical-economic wealth from the targetted population to keep the bubble afloat. Argentina is perhaps the best case-study of how this process worked.

On April 1, 1991, under the government of the elder George Bush’s buddy President Carlos Menem, Argentina’s Finance Minister Domingo Cavallo—a Harvard protégé of David Mulford, of Brady bond fame—established a currency board in Argentina, under which a strict one-to-one parity was set between the Argentine peso and the U.S. dollar, and the government and Central Bank were prohibited *by law* from printing pesos unless these were fully backed by dollars held as foreign reserves. In other words, Argentina handed its monetary sovereignty over to the U.S. Federal Reserve system. Although Cavallo left government in 1996, his cur-

1. To the best of our knowledge, the first published presentation of the concept of *illegitimate debt* came from the LaRouche movement, in the Schiller Institute’s 1986 book, *Ibero-American Integration*.

FIGURE 2
Real Foreign Debt, 1993



rency board policy remained in effect until December 2001.

What ensued over the 1990s was the rapid “dollarization” of the Argentine economy: Most of the country’s prices of goods, contracts, and *domestic debt instruments* became denominated in dollars. In this fashion, entire chunks of what was nominally “domestic debt”—for example, loans issued inside Argentina, by Argentine banks, to Argentine customers, but denominated in dollars—became “internationalized,” and transformed into *de facto foreign obligations*.

EIR was the first publication in the world to take note of this new phenomenon—of a *real foreign debt* significantly larger than the official foreign debt—in Third World nations. In late 1993 speeches delivered in Sonora, Mexico and Kiedrich, Germany (see *EIR*, Jan. 21, 1994), this author warned that, as of late 1993, Mexico’s real foreign debt was actually \$142 billion, and not the official \$121 billion, because “there are at least another \$21 billion in Mexican treasury bills, or Cetes, which are currently held by foreigners.”

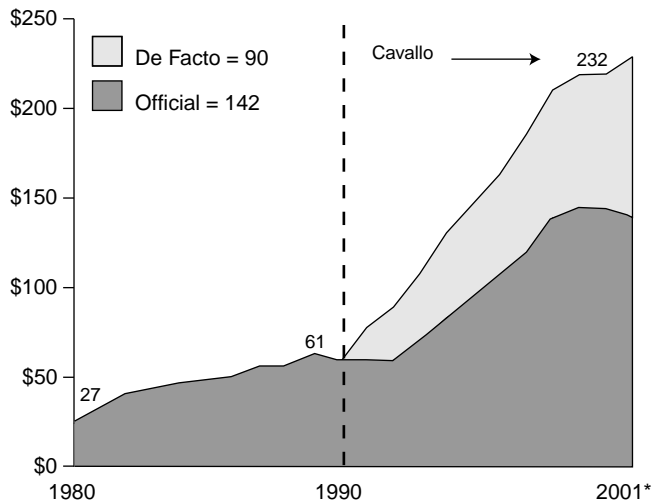
At the end of that same year, Mexico’s foreign debt bubble blew apart along precisely that fault line, of foreign-held Cetes that had been transformed into dollar-denominated Tesobonos in the Spring and Summer of 1994. The architect of that piece of policy lunacy in Mexico was then-Finance Minister Pedro Aspe—another Mulford protégé.

That report in *EIR* noted that in Argentina, in addition to its official foreign debt of \$63 billion for 1993, “a giant bubble

FIGURE 3

Argentina: Foreign Debt, Official vs. Real

(Billions \$)



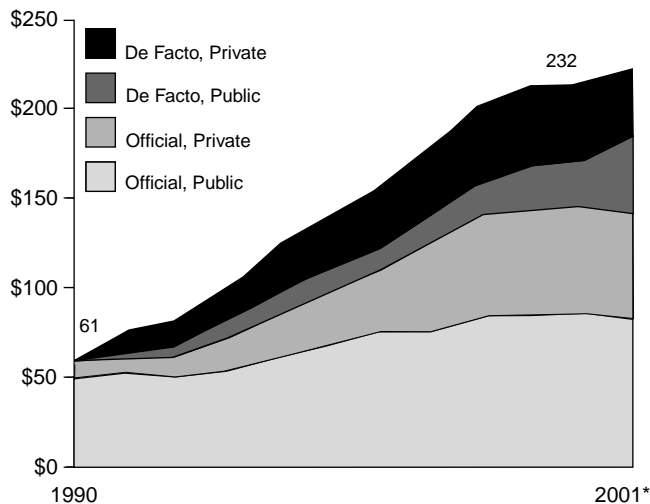
* June 2001

Sources: World Bank; Finance Ministry, Argentina; EIR.

FIGURE 4

Argentina: Real Foreign Debt

(Billions \$)



* June 2001

Sources: World Bank; Finance Ministry, Central Bank, Argentina; EIR.

of dollar-denominated internal [i.e., domestic] debt has also been generated. The government itself has issued \$14 billion in internal bonds, payable in dollars, while the private sector has another \$19 billion in dollar-denominated debts, principally high-interest-rate credit cards. So Argentina has another \$33 billion in dollar obligations, bringing up its total real foreign debt to about \$96 billion.” **Figure 2** reproduces a graphic included in that 1994 report.

Figure 3 shows what happens when you add on these de facto foreign obligations to Argentina’s official debt figures from the last two decades: The country’s *real foreign debt* rises from \$61 billion in 1990, to \$232 billion in 2001. More significantly, the average annual rate of growth of the total real foreign debt jumps from 8.4% over the decade of the 1980s, to a staggering 12.9% over the 1990s—an increase in the rate of growth of the bubble of more than 50%. Such are the achievements of “globalization.”

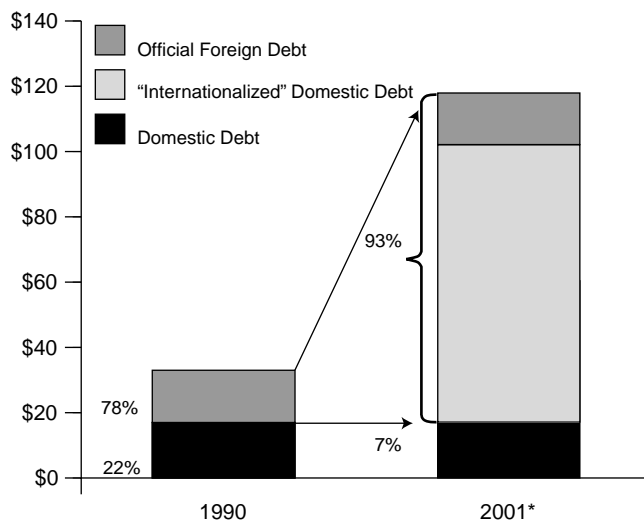
Today, as in the early 1990s, the existing mechanisms for keeping the bubble afloat, have come to the end of the line—globally, and in Argentina as well. This time around, however, there is no debt bailout scheme that can work: The bubble is now growing so rapidly that the amounts of new monetary instruments that are today required to salvage any given “X” dollars worth of debt, are *larger than “X” itself*. And the underlying physical economy has been looted to the point of breakdown. The parasite has overtaken the host.

Figure 4 presents a more detailed breakdown of the four principal components of Argentina’s real foreign debt, over the period 1990-2001.

FIGURE 5

Argentina: Foreign Debt and Domestic Debt

(Billions \$)



* June 2001.

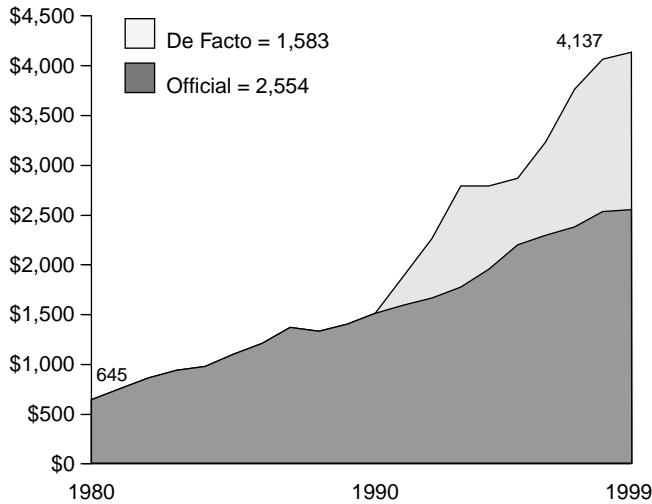
Sources: World Bank; Finance Ministry, Central Bank, INDEC, Argentina; EIR.

When we compare Argentina’s total debt, both domestic and foreign, in 1990 and 2001 (see **Figure 5**), the results are startling: Not only has the combined debt bubble more than

FIGURE 6

World Total, 'Emerging Markets': Foreign Debt, Official vs. Real

(Billions \$)



* June 2001

Sources: World Bank; EIR.

tripled, from \$78 billion to \$248 billion, but the real foreign obligations have almost completely gobbled up what used to be domestic debt. In 1990, some 22% of Argentina's combined debt bubble was domestic; but by 2001, only a minuscule 7% of the total was still domestic. The two debts had merged into one, and had become "internationalized."

This is not a matter of semantics. Domestic debt may be directed to productive activities or not, but it functions within the sovereign domain of the nation-state: It is issued in national currency; it is owed in national currency; and its treatment remains within the purview of the national government's banking and monetary authorities. But over the course of the 1990s, the decade of Thatcher-Bush globalization, *domestic debt has disappeared as a functionally distinct category*, not only in Argentina, but in almost every nation around the world.

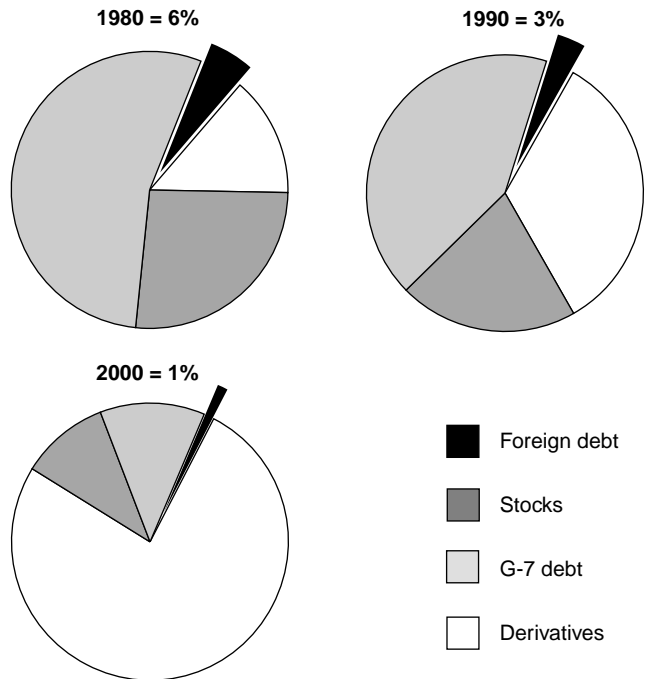
If we look at the foreign debt picture for all the so-called "emerging market" nations (the Third World plus the member-countries of the Commonwealth of Independent States of the former Soviet Union), we see a similar growth of de facto foreign obligations beginning in 1990. EIR estimates that the real foreign debt of these nations was more than \$4.137 trillion in 1999, more than 60% larger than the \$2.554 trillion officially reported for that year (Figure 6).

Although this \$4.1 trillion represents only 1% of total financial aggregates (including derivatives) worldwide, or \$4.1 trillion out of \$400 trillion (Figure 7), it represents that

FIGURE 7

Foreign Debt and the Global Bubble

(Percent of Total)



Sources: Federal Reserve Board of Governors, "Flow of Funds Accounts"; OMB, "Budget of the U.S., Fiscal Year 2001, Historical Tables"; Bank for International Settlements; World Bank; EIR.

portion directly leveraged against nation-states, and for that reason has particular political significance.

A Hamiltonian Reform of The Argentine Banking System

If there is no longer domestic debt as such, as we have argued above, then this would seem to imply that Argentina's entire domestic banking and monetary system is as bankrupt as its foreign debt.

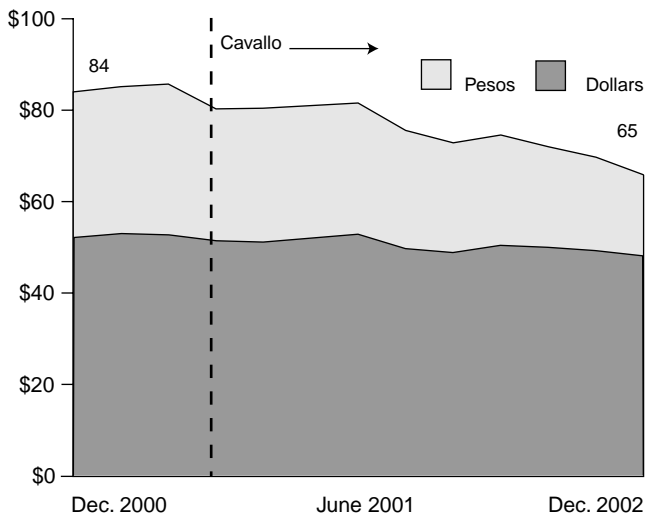
Indeed, it is. And that fact is of the greatest relevance for determining what policies will and won't work in that country today.

Over the course of 2001, as Argentina became increasingly incapable of repaying its foreign debt, despite numerous multibillion-dollar bailout packages from the IMF and others, the country's banking system was bled white, as nearly 25% of its total deposits were withdrawn. The lion's share of this occurred under the stewardship of Domingo Cavallo, who returned as Finance Minister in the De la Rúa government in March 2001. As Figure 8 shows, the \$15 billion that was pulled out under Cavallo's watchful eye was almost entirely

FIGURE 8

Argentina: Total Bank Deposits

(Billions \$)

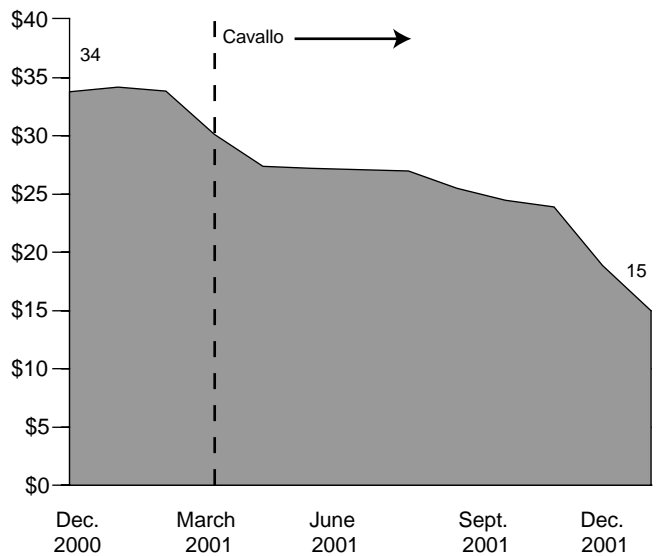


Source: Central Bank, Argentina.

FIGURE 9

Argentina: Central Bank Reserves

(Billions \$)



Source: Central Bank, Argentina.

peso deposits. But these were then converted into dollars, thanks to the one-to-one convertibility regulations put in place with the currency board in 1991, which led to a corresponding \$15 billion plunge in the Central Bank’s foreign reserves during that same time period (Figure 9).

Where did the dollars go? What is beginning to come to light in Argentina, is that these \$15 billion—and then some—were illegally spirited out of the country by the commercial banks themselves. According to charges brought before the courts and in the Argentine Chamber of Deputies, over the course of 2001, the principal banks used the savings that Argentines had deposited with them to “lend” money to phony front companies which they themselves helped set up. These mail-box companies in turn took the money out of Argentina to neighboring Uruguay—whose banking secrecy and other shady practices have earned it the reputation of being “the Switzerland of Latin America”—and thence to the Cayman Islands, London, Miami, and other world-class money-laundering centers.

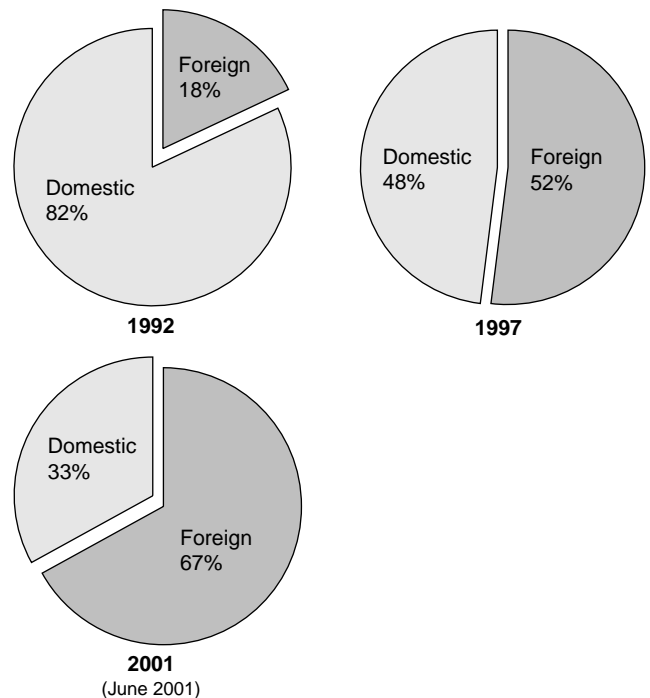
All of this was greatly facilitated by the fact that foreign banks today control two-thirds of Argentina’s banking system.

Figure 10 and Table 1 update a 1997 EIR study of the foreign takeover of the banking systems of Ibero-America, Argentina included. Because of a bank privatization policy that began in the early 1990s, by 1997, foreign banks owned controlling shares (20% or more of the total assets) in banks constituting 52% of the Argentina banking system—the high-

FIGURE 10

Argentina: Bank Control

(Percent of Total)



Source: Central Bank, Argentina.

TABLE 1

Argentina's Top 10 Banks

(Billions \$)

Rank in 2001	Bank	Assets in 2001		Assets in 1997		Control
		\$	% of total	\$	% in total	
1	Nación	16.6	12%	15.0	12%	Domestic
2	Provincia de Buenos Aires	13.5	10%	10.1	8%	Domestic
3	Galicia	11.9	9%	8.0	7%	BSCH
4	Río de la Plata	11.0	8%	7.3	6%	BSCH
5	Francés	9.6	7%	4.3	4%	BBVA
6	Boston	8.5	6%	4.3	4%	BankBoston
7	Citibank	8.0	6%	4.6	4%	Citibank
8	HSBC	5.7	4%	3.6	3%	HSBC
9	Hipotecario	4.9	4%	4.2	3%	Bank of N.Y.
10	Nazionale del Lavoro	3.9	3%	2.3	2%	Nazionale del Lavoro
Subtotal, Top 10		93.6	69%	63.7	53%	
Total		134.9	100%	120.4	100%	
—Foreign controlled		90.3	67%	63.2	52%	
—Argentine controlled		44.6	33%	57.2	48%	

est for any Ibero-American country at that time. Over the intervening four years, that foreign dominance grew to fully 67% of the total bank assets.

As can be seen in Table 1, this has occurred despite the fact that the number-one and -two banks in the country—Banco de la Nación and Banco de la Provincia de Buenos Aires—are still state-owned domestic banks. But the next eight banks are all foreign controlled, and include many of those now under investigation for capital flight. It is also noteworthy that the IMF and Wall Street crowd have made the privatization of Banco de la Nación and Banco de la Provincia de Buenos Aires a central demand of their conditionalities. If the Duhalde government bows to this pressure, then about 90% of the banking system will be in foreign hands.

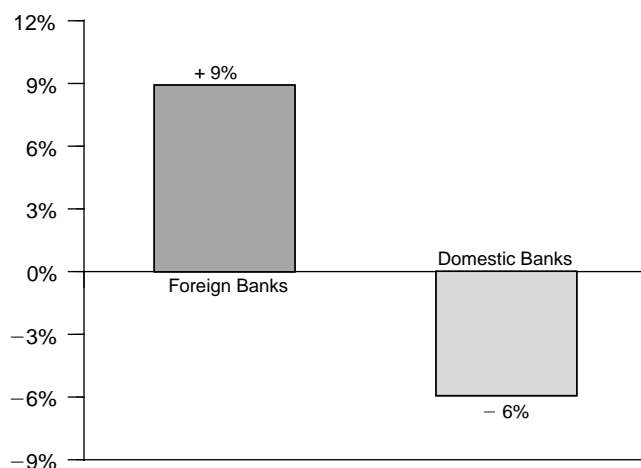
As it is, the trend is unmistakable: Over 1997-2001, foreign-controlled banks grew at an average 9% per year, while domestic-controlled institutions declined by -6% per year (Figure 11).

With such shady financial institutions dominating the Argentine banking system, by early December 2001 the hemorrhage of funds leaving the system and the country had turned into such a torrent, that a desperate De la Rúa government decided, on Dec. 3, to freeze all bank accounts and impose capital and exchange controls. These were necessary measures—a kind of tourniquet applied against a hemorrhage—but they were too little, too late. The Argentine banking system had already been bled white, by foreign-controlled “Argentine” banks themselves. When the population began to demand their savings and checking accounts back, De la Rúa

FIGURE 11

Argentina: Average Annual Growth of Banks, 1997-2001

(Percent)



Source: Central Bank, Argentina.

found that the money was no longer there. On Dec. 20, he was forced to resign in the face of massive “pots and pans” demonstrations.

None of the four ensuing governments since then has found a way to remove the tourniquet—which in Argentina is referred to as the “*corralito*,” or “little corral”—and give the

people back their money. And that is because *the Argentine banking system as a whole is completely, hopelessly bankrupt*. It cannot be salvaged, to function as a source of domestic credit. This is the central political-economic issue on the table in Argentina today.

The IMF, the U.S. Treasury, and international creditor banks are all demanding that the Duhalde government resume payments on the foreign debt—which were formally suspended with a debt moratorium by the Adolfo Rodríguez Saá government, in the last week of 2001—and that they agree to bail out the banking system to the tune of \$50-60 billion. In other words, the Argentine government is being told that it has to agree to drastically cut its budget and find other, novel ways to reduce the population's living standard, in order to bail out the banks, before the IMF will even think of lending them perhaps \$10 billion—which must *also* be channeled to the banks.

Unless it changes course radically, the Duhalde government is heading toward a bank bailout similar to Mexico's notorious Fobaproa scam. This was a mid-1990s \$100 billion government bailout of Mexico's bankrupt banking system, after the crash of 1995, which was simply added on to Mexico's already onerous public debt—i.e., it was placed squarely on the shoulders of Mexican taxpayers.

The Duhalde government is currently writhing between the impossible options of servicing Argentina's \$232 billion foreign debt and bailing out the domestic banking system, on the one hand, and trying to prevent the country from descending into barbarism and civil war, on the other. It won't work.

Duhalde has made the mistake of trying to reestablish convertibility between the peso and the dollar, by setting a fixed parity of 1.4 pesos to the dollar for trade and other transactions, while allowing a floating free-market rate for financial and all other uses. But convertibility—any convertibility, at any floating or fixed rate—is tantamount to releasing the tourniquet while leaving the source of the hemorrhage untouched: The country will simply be bled to death, by speculative assaults on the peso of the sort waged against the nations of Asia in 1997 by George Soros and other speculators. To further try to stem the tide by using the Central Bank's minuscule \$15 billion in reserves to defend the peso, is worse than useless: It is simply throwing \$15 billion down a sinkhole.

But there *is* a solution, as Lyndon LaRouche has repeatedly stated. If we may stretch our medical metaphor to its limits, the necessary steps can be so described:

1. *Stop the hemorrhage*. Maintain a full foreign debt moratorium, and strict foreign exchange and capital controls. Do not attempt to bail out the current bankrupt banking system—no matter how loudly Wall Street hollers in protest.

2. *Quickly give the patient a blood transfusion, fully replacing his currently contaminated blood*. A new, sovereign, *inconvertible* currency must be issued by the government,

through a National Bank created for this purpose—i.e., not through today's semi-autonomous Central Bank.

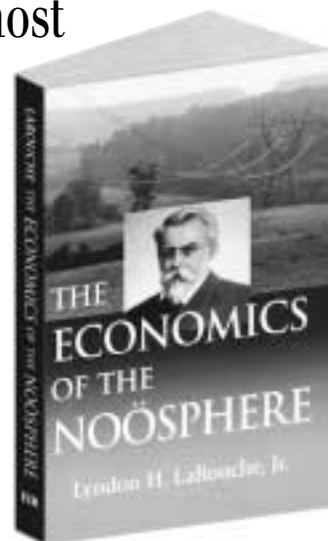
3. *Make sure the new blood supply is irrigating the entire body*. Issue substantial volumes of new, low-interest credit, through such a Hamiltonian National Bank, directed to priority national and regional infrastructure development projects. Special attention must be paid to productively employing the 20% of the Argentine labor force that is currently unemployed, and to opening up new, high-technology sectors which will serve as the motor for the entire economy. Commercial banks, domestic and foreign alike, which cooperate in this endeavor, should be chartered by the government to function. Those that do not, should be expropriated.

4. *Then, and only then, can the tourniquet be removed*. People can be repaid the money held in the "corralito," in the new, sovereign, inconvertible currency, which will in any event be worth far more than today's peso or the dollar.

5. *Finally, fire the quack doctors who nearly killed the patient*. Break with the IMF and its bankrupt system, and join the global effort to rapidly bring into existence a New Bretton Woods monetary system, along the lines specified by Lyndon LaRouche.

(Research for this report was contributed by Gerardo Terán and Gonzalo Huertas, from EIR's Buenos Aires bureau.)

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LaRouche's Argentina Role Alarms Wall Street

by Cynthia R. Rush

The fact that U.S. Democratic Presidential pre-candidate Lyndon LaRouche has set the policy agenda for Argentina—his proposals for national banking and the creation of a sovereign currency have been read from the floor of the Congress and are circulating widely in the country—has unnerved the Anglo-American financial oligarchy. On Jan. 28, one of its Argentine mouthpieces, the financial daily *Ámbito Financiero*, better described as the *Wall Street Journal* of Argentina, published a libelous diatribe against LaRouche, voicing hysteria at the extent of his influence in this crisis-wracked nation.

Under the headline “The Strange Marriage of ‘Lilita’-Seineldín,” the daily, which reflects the Mont Pelerin Society’s fascist worldview, complained that individuals from such different ends of the political spectrum as Congresswomen Elisa Carrió (“Lilita”), of the Alternative for a Republic of Equals Party (ARI), and jailed Malvinas War hero Mohamed Alí Seineldín, are inspired by LaRouche. The latter is “a shady leader of the U.S. extreme right wing, whose bizarre style and racist harangues, similar to neo-Nazi groups, have placed him on the fringes of his country’s political life,” *Ámbito* lied.

Columnist Damián Ferrer, who wrote the attack on LaRouche’s influence, admits that *Ámbito*’s real concern lies elsewhere, however. During the Jan. 5-6 Congressional debate on the Emergency Law proposed by President Eduardo Duhalde’s government, the ideas of “economic interventionism” predominated, he laments. It was during that debate that Elisa Carrió extensively quoted LaRouche on the global financial crash, and his recommendations for Argentina. In the midst of the country’s current economic upheaval, *Ámbito Financiero* worries, such dangerous ideas could lead to “the resurgence of populist proposals,” and the strengthening of “nationalist and anti-U.S. sentiments.”

In other words, LaRouche’s proposals to put Argentina through bankruptcy reorganization, are being taken seriously. They have been widely disseminated inside the country, and were elaborated during his Jan. 24 webcast to an international audience, in response to a question by a prominent Buenos Aires judge (see below). There he named “the International Monetary Fund system” as the cause of Argentina’s bankruptcy.

In a Jan. 29 response to *Ámbito*’s slander, Lyndon

LaRouche wrote that the real reason for the attack is that Argentina is “hopelessly bankrupt,” and “there are those in Argentina who would wish to deny that fact, or create a wild diversion in the effort to distract attention from what remains a simple clear fact of financial accounting.”

IMF Says, ‘Suffer’

Ámbito Financiero published LaRouche’s reply on Feb. 1. The reply stands in stark contrast to the bestial outlook *Ámbito* shares with the Anglo-American bankers. IMF Managing Director Horst Köhler reflected that outlook when he recently warned that only if Argentina shows a “willingness to suffer”—to kill more people—can it hope for international financial assistance.

Similarly, in its Jan. 23 edition, the piggish *Wall Street Journal* editorialized that “Argentina deserves to be treated like any other banana republic,” or get the “Haiti treatment,” unless it bends to Anglo-American demands.

Under enormous pressure from London and Wall Street, the desperate Duhalde government is, suicidally, moving toward complying with the Fund’s demand for a “sustainable,” austerity-based economic program (more budget cuts), including an immediate free-float of the peso, in hopes of getting between \$15 and \$20 billion in financial aid.

When Foreign Minister Carlos Ruckauf travelled to Washington for meetings with the Bush Administration on Jan. 29-30, he carried a letter from President Duhalde to President George Bush, in which Duhalde slavishly promised to abandon “as rapidly as possible, temporary measures of a dirigist nature” he had been “forced to take.” His government, he said, is fully committed to “the free-trade system.” Ruckauf told Treasury Secretary Paul O’Neill and Secretary of State Colin Powell, that Duhalde would also remove exchange controls as soon as possible.

Any deal with the IMF is inimical to Argentina’s national interests and will only intensify popular rage over the freeze of bank deposits, and disintegration of jobs and living standards. Government inaction has given free rein to goon-squads of terrorist provocateurs to operate freely in the midst of generally peaceful “*cacerolazos*”—pots and pans demonstrations—smashing bank ATM machines and shop windows, and causing violent clashes with police.

Government vacillation is also encouraging the financial networks that have historically looted Argentina, to more aggressively defend their right to continue doing so. The Hongkong and Shanghai Banking Corp. (HSBC), the London-based flagship bank of the global drug-trafficking enterprise known as Dope, Inc., has been lobbying the government, through its Argentine director Emilio Cárdenas, to accept a plan to “help” the government put an end to the deposit freeze, and the mass protest it has provoked. However, the government must be willing to officially adopt dollarization, and allow the foreign banks to increase their hold on the banking system, 67% of which they own already.



Representatives of Wall Street in Argentina have issued shrill attacks on Lyndon LaRouche and on imprisoned Malvinas War hero former Col. Mohamed Alí Seineldín (above), fearing that LaRouche's recovery strategy will destroy their own power.

'Get Seineldín'

In this environment, the financial circles for which *Ámbito* speaks also fear that imprisoned nationalist Mohamed Alí Seineldín, "like Carrió, closely follows LaRouche's economic ideas," and has issued documents supporting LaRouche's proposals "for the creation of 'a new international monetary system,' which would dispense with the foreign debt, eliminate the IMF, and abandon projects like the FTAA [Free Trade Area of the Americas]."

Ámbito explicitly warns Carrió to stay away from LaRouche. She could jeopardize her political career—until now she has been cultivated as an up-and-coming national political leader by the Anglo-American establishment—should she continue to allow the "shady" LaRouche be her "source of inspiration."

Ferrer and his superiors worry that Seineldín, in prison, still inspires people to act. Not surprisingly, as the military hero has himself denounced, there have been increasing attempts to implicate him in recent acts of violence, to discredit him. One day after *Ámbito Financiero* published its slander, former prosecutor Luis Moreno Ocampo, Transparency International's President for Latin America and the Caribbean, joined the act. Claiming that someone had painted the name "Seineldín" on the door of his house, and saying he had received a death threat from people associated with Seineldín,

Moreno filed a complaint with police, and called for an investigation.

Speaking with Radio Mitre the same day, Mrs. Marta Labeau de Seineldín called the ex-prosecutor's charges "nonsense." Seineldín, she said, "is behind bars, incomunicado after 12 years of outstanding conduct as a prisoner. This is gossip. . . . My husband thinks big, about his nation, [not about] stupidities. . . . I believe this was done on purpose," Moreno Ocampo, who helped prosecute Seineldín in 1991, admitted his real concern: "Given what's going on in Argentina today, we can't afford the luxury of letting [Seineldín's] group conspire. We must investigate."

LaRouche's 'Reply To A Message From Laputa'

U.S. Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. issued the following on Jan. 29, to "that libellous rant," by author Damian Ferrer, which appeared in the Jan. 28 edition of the Argentine financial daily Ámbito Financiero.

To the Publisher and Editors

Gentlemen!

Implicitly, according to your Jan. 28th publication of a libellous piece by your writer Damian Ferrer, I have, in his eyes, committed the offense of mentioning the rope in the house of the hanged. The reality of the situation in which that piece appears, is the following.

Argentina is currently featured among a growing list of national economies, on all continents—excepting perhaps Antarctica—which are already gripped by the terminal phase of a threatened collapse into national bankruptcy. In my experience as a management consultant, and otherwise, I have often had the opportunity of observing the behavior of those who put themselves through unnecessary further suffering, by hysterical attempts to deny a simple, inescapable fact: they are bankrupt. As in many analogous cases of bankruptcy, by private firms, or governments, the bankrupt himself could be saved, but the financial system is doomed in its present form of organization.

Such is precisely the character of your publication of the mentioned item by Ferrer. Under recent decades' IMF conditionalities—and present IMF policies—Argentina is, and would remain, hopelessly bankrupt. There are those in Argentina who would wish to deny that fact, or create a wild diversion in the effort to distract attention from what remains a simple, clear fact of financial accounting.

Therefore, I read the libellous editorial thrashing of Sr. Ferrer with an appreciation of the desperate nature of the situation which apparently motivates his reckless disregard for truth. Nonetheless, it remains an act in reckless disregard for truth.

The libellous aspect of the attack on me in your publication, is concentrated in the three following paragraphs, following the indicated sub-heading.

‘Source of Inspiration’

“What was most surprising about her [Cong. Elisa Carrió’s] speech—as *Ámbito Financiero* wrote last Monday—was her source of inspiration. LaRouche is a shady leader of the U.S. extreme right-wing, whose bizarre style and racist harangues, similar to neo-Nazi groups, have placed him on the fringes of his country’s political life.

“Imprisoned for several years for fraud and tax evasion, LaRouche filed suit before U.S. courts and the media at the end of the 1980s, in which he accused Wall Street, the ‘Jewish banks,’ ‘Washington politicians,’ and international communism, of conspiring against him, and boycotting his run for the Presidency of the United States. For decades, he has been running for President in any election there was, as a Democratic Party pre-candidate in the Southern states, or as an independent.

“His writings focus on a supposed conspiracy originating in Babylon, whose natural goal was to dominate the world, and which is carried out by ‘Judeo-Masonic’ lodges. The primary agents of this millenarian plan, would be the British Crown (the primary target of LaRouche’s denunciations), Wall Street, and the Washington bureaucracy. His constant allegations of the strangest conspiracies, published in scandal-sheet media, has earned him a certain unusual notoriety. Among other things, he has charged that the Oklahoma City attack was organized by the Queen of England and that the Ku Klux Klan is in reality the armed wing of the B’nai B’rith.”

In his diatribe, Sr. Ferrer makes explicit reference to my website, to which any responsible publication would have gained access, prior to blindly repeating simple lies about my person and policies. The documentation of proof that those paragraphs are predominantly false, was amply available to Sr. Ferrer, had he any efficient desire to write truthfully. Therefore, since he states falsehoods concerning me which he should have known to be false, he has proceeded in reckless disregard for truth.

However, he has aggravated his libellous behavior, by putting himself, perhaps unwittingly, on the side of the most dangerous and powerful fascists rampant in the world today, the circles of that H. Smith-Richardson Foundation who sponsored the primary circulation of the specific set of falsehoods which Sr. Ferrer has recklessly adopted. H. Smith-Richardson is the principal funding conduit for that circle of so-called utopians, such as the infamous Samuel P. Huntington, who

have proposed to redirect the military policies and strategic objectives of the U.S. into practices modelled upon those of the Nazi Waffen-SS.

It happens, that all of my principal U.S. adversaries in the U.S. political and military establishment, including the major print and broadcast media associated with those circles, are part of the same faction in the U.S. associated with the H. Smith-Richardson Foundation. This is also the faction which has been crushing the states of South and Central America, over more than thirty years, especially since 1982, through the monetary and financial policies imposed under that same floating-exchange-rate system. It should be sufficient to compare the rank of Argentina’s economy over the course of the past century, and, most emphatically, since 1982, to see how the peso was driven down into its presently perilous situation.

I am a friend of Argentina. Sr. Ferrer has insulted a friend of his nation. More responsible offices in *Ámbito Financiero* owe me, and also the people of Argentina, a public apology.

—Lyndon H. LaRouche, Jr.

LaRouche: Argentina Must Be Allowed To Reorganize

During his Jan. 24 webcast, U.S. Presidential pre-candidate Lyndon LaRouche had the following exchange with a prominent judge from Argentina:

Q: Good afternoon, Mr. LaRouche. . . . I’m interested in asking you the following: Since you know about the crisis situation, which my country is going through at this time—where we are facing a great moral crisis, as a result of the lack of credibility of the political and other institutions of the country. And another crisis—an economic crisis—as a result of the greed of the international and national bankers. I see you know about this, because I’ve been listening very carefully to your words today. This situation has placed us at the edge of a national explosion, and is threatening the very national tranquillity, the national peace, in our country. I would like to ask you the following, based on your vast world experience, in the following sense: What are the economic measures that could be implemented today, so that the present government of our country can manage to calm the state of excitation in the country? Because the freedom and the tranquillity of my country is greatly endangered at this time.

LaRouche: Okay. Well, first of all, we have a bankrupt system. The bankruptcy was imposed by the IMF and related institutions. So, the “person” who caused the bankruptcy is largely the IMF system, in its post-1971 form; that can be

easily documented. That's *fact*.

The bankruptcy was aggravated by putting in a man with the curious name of *Cavallo*—which I would translate as *Cabala*—who played a key role in aggravating the damage beyond belief, with his administration and similar administrations. But essentially, the guilty party, is, essentially, the IMF system, in the way the floating-exchange-rate system was administered in respect to the countries of Central and South America. And, Argentina was a special target for destruction, because Argentina was, in the last century, at various points, third- and fourth-ranking in the world in standard of living, productivity, and so forth. Despite all smears, it was a great economy. And, therefore, that is an insult to those in North America, who think that South Americans have to be stupid and incapable. Therefore, Argentina is a striking example of what a country in South America is, potentially. And it's hated for that reason.

But, the essential thing comes back—the same, basic problem: The IMF *caused* the bankruptcy of Argentina. A bankruptcy, which presently, *if the present conditions are enforced, Argentina will be biologically destroyed, as a nation!* And, maybe in a horrible way.

So, therefore, if there is any perception, of a principle of natural law, operating in the minds of the people of the United States—in the President's, and so forth—the point is: Argentina must be given the liberty to reorganize itself in bankruptcy, in the necessary way. That would mean: number one, the creation of a new currency, outside the existing system, and with no ties, or obligations, to the existing system. The currency would be largely used to ensure domestic security, economic security, and so forth. You would have to accompany this, with a series of very strict, protectionist measures. And you would have to get into a complex of trading agreements—long term and medium term—with adjoining countries, such as Brazil (you have some facilities for this, already), and others.

And there must be a general understanding, that Argentina must be given the opportunity to work through such an agreement. We can no longer be concerned, with those who are responsible for administering the destruction of a nation. That is a crime! A moral crime! If you impose upon a nation, policies which bankrupt it, which threaten its people biologically, which threaten genocidal effects, then your financial claims, on account of that system, *have no moral authority, per se*. Therefore, your claims are subject to reexamination, from the standpoint of bankruptcy proceeding, under the principle of the General Welfare.

So, nations must take a view that the principle of the General Welfare must be applied to the bankruptcy of Argentina. That Argentina must declare itself bankrupt, and declare that its government is taking, as a sovereign agency, responsibility for reorganizing its affairs. And seeks the cooperation of other sovereign countries; and bringing things into a durable

order, in the medium to long term. As part of that, Argentina requires a new, independent currency, not contaminated by the corruption of any of the previous currencies. And, therefore, things should stand at that.

But, the context in which that decision should be made, also has to be considered. *The entire system is bankrupt!* Argentina is not an isolated case: *The entire system—including the United States—is bankrupt!* Including Europe, is bankrupt! Including Africa, is more than bankrupt! The only non-bankrupt nations are a few in Asia, like China, and India, and so forth. They're not bankrupt. But, the rest of the world, is, actually, essentially, bankrupt—as a Japan bankruptcy would show, in terms of the United States. So, therefore, since we're all in a bankrupt system, what we have to think about is the set of rules, under which we reorganize ourselves in bankruptcy, in order to create a recovery from this bankrupt condition. Any bankruptcy. In the case of Argentina, we must apply that general policy-perception to Argentina, and say, "Go ahead, Argentina. We will now cooperate with you, in *your* bankruptcy reorganization. Go ahead: Create a new currency; manage it well; take whatever protectionist measures you have to do; discuss it with us; and we will try to work out ways to cooperate with you, in the recovery of your economy."

That is the only way, in which this thing can be approached.

LaRouche on Argentine Nationwide Radio, For National Bank Strategy

U.S. Democratic Presidential pre-candidate Lyndon LaRouche was interviewed by Argentina's Radio Nacional, on its "1110" program, on Jan. 29. Radio Nacional broadcasts throughout the country, and over the Internet. The full interview follows:

Q: Some of the media, including *Ambito Financiero* and others, have characterized you as being in the ultra-right-wing. In the case of Argentina, you're proposing the formation of a National Bank. Could you say exactly how that would work?
LaRouche: Well, this is based on the same principle as proposed by the first U.S. Treasury Secretary, Alexander Hamilton. That, contrary to most Twentieth-Century U.S. practice under the Federal Reserve System, the U.S. Constitution prescribes that the Congress has the unique sovereign responsibility to authorize the issue of currency by the Executive branch of government; that is, by the President. Now,

this has special significance under present world conditions, and it's a question of life and death for the economy of Argentina.

What is obviously needed, is to put the world economy through bankruptcy reorganization. This would mean that leading governments should support the right of the government of Argentina to conduct such bankruptcy reorganization of its own national economy. This would mean that the government of Argentina would issue a new currency to initially be used for internal purposes. The purpose is to promote full employment in useful and essential categories of infrastructure and industry, and thus to bring the total product of Argentina above the level of the costs of maintaining that population. This cannot be done without a large issue of credit by the government of Argentina to fund employment and investment in industry and infrastructure. And this is what must be done with the world at large today.

Q: Does your proposal mean the elimination of the rest of the banking system, or could the two systems co-exist simultaneously?

LaRouche: Well, the banking system is bankrupt, but the government must have the banks functioning, even if they are bankrupt. Banks have an essential function of deposit and circulation of credit. If any bank has any usefulness at all, it must be preserved in that function, even if it is bankrupt. We must, to the extent possible, maintain the traditional relationship of cooperation between the banks and the people, and the banks and the producing firms.

Q: Does your proposal mean the nationalization of the banks, as much of the left around the world proposes, and how does this square with the fact that you are often referred to as an ultra-right-winger?

LaRouche: Well, the "ultra-right-winger" is simply a slander spread by the right-wing of the United States. That's the only place it comes from. As a matter of fact, *they* are fascists. But that's not important.

Look, nationalization can mean two things. The nationalization I'm proposing is the nationalization of the process of putting the banks through bankruptcy reorganization, and the creation of a National Bank, a sovereign bank of the state, to coordinate that process.

Q: Returning to political questions, would your friendship with Mohamed Alí Seineldín indicate support for that type of political orientation?

LaRouche: I don't know. I have great personal affection and respect for Colonel Seineldín, and to the degree possible, I would wish to be able to discuss such matters with him. But, as you know, we are limited in our communications. So I can only infer the thoughts of Colonel Seineldín, though I have great affection for him.

Q: And would you be willing to support a movement to bring Seineldín to power, as some rumors have suggested?

LaRouche: I have not any such plan. I think that Seineldín should play a key role as a hero of his country, but as in the United States today and in most of Western Europe, we don't have a political party that's worth anything. My concern, as in the United States, is to suddenly create new parties which represent the best people of the nation, to bring nations out of these troubles.

Q: Thank you very much, Mr. LaRouche.

Mekong Nations' 'Linking' Strategy Pays Off

by Gail G. Billington

The six countries grouped in the Asian Development Bank's (ADB) Greater Mekong Subregion (GMS) have made progress in recent months toward their objective of an integrated infrastructure grid for road transport, and in reaching agreement on taming the Mekong River for improved water transport and flood control, despite increasing evidence that the "Asian Contagion" that hit the region in 1997 is about to be repeated. The greatest progress has come in the improved bilateral and multilateral collaboration among these countries for the greater, regional good. If so, it could indicate that the demise of the "importers of last resort" in the U.S. and European markets is encouraging thinking in the direction of "interior development," as developed in LaRouche's "Eurasian Land-Bridge" global reconstruction plan.

The six GMS members are Yunnan Province (China), Myanmar, Lao People's Democratic Republic, Thailand, Cambodia, and Vietnam. All but Yunnan Province are members of the ten-nation Association of Southeast Asian Nations (ASEAN). However, ASEAN's ongoing "Plus 3" dialogue with its larger Asian neighbors to the north—China, South Korea, and Japan—has been and will continue to be crucial to reaching the objectives outlined in the GMS regional development plan. Japan is a major source, and China is emerging as an important source, of funding.

The ADB's GMS scheme was established in 1992, adopting a 25-year time frame, or 2017, for its realization, which is in line with ASEAN's "Vision 2020" target, by which date member-nations hope to have graduated from "developing" to "developed" nation status. The GMS is one of the most productive agricultural regions in the world, including two of the world's most important rice-exporting nations, Thailand

and Vietnam. The combined population of the immediate six members is approximately 240.4 million people, residing in a land area of 2.3 million square kilometers. However, annual per-capita Gross Domestic Product figures make clear, that the region includes some of the poorest countries in the world, ranging from \$280 to \$3,100. It also includes some of the most brutally war-ravaged countries in the world—Cambodia, Laos, Vietnam—which suffer the added penalty of dealing with tons of unexploded ordnance, millions of land mines, and health problems stemming from U.S. use of millions of gallons of defoliants during the wars in Indochina.

Plugging the Holes in the Asian Highway

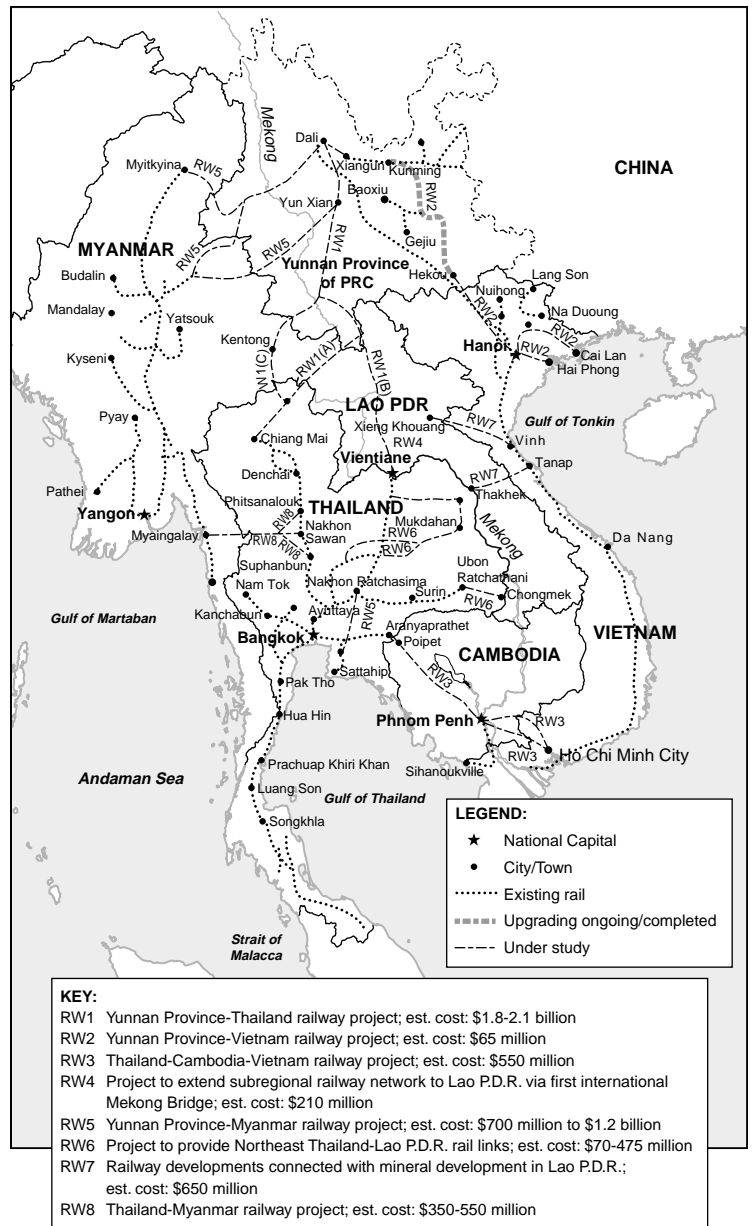
On Nov. 23, 2001, Thailand, Laos, and Vietnam announced that they would prioritize investment in “Indochina economic zones” to boost their economic cooperation, taking advantage of the planned Thai-Lao international bridge connecting Thailand’s northeast and Savannakhet, Laos. The bridge makes it possible for goods to travel from central Vietnam, via the east-west corridor, from Danang, Vietnam to Mae Sot on Thailand’s western border, to Moulmein, Myanmar, and further west. Lao Bao, Laos, near the Vietnam border, was chosen as a trade and investment center to serve as a special economic production zone between the Thai province of Mukdahan and Savannakhet.

Exemplary of the challenges and opportunities that lie ahead: On Dec. 4, 2001, the Royal Cambodian Government held a gala opening for the first bridge over the Mekong River in the capital, Phnom Penh, built with Japanese funding. The bridge is only the second infrastructure project of its kind in the country since the first bridge, built over the Tonle Sap River in the 1960s. Prime Minister Samdech Hun Sen told the 10,000 people assembled, “This bridge is the most important artery for economic development in Cambodia, as well as for the physical integration of ASEAN, in particular, to narrow the gap between the new and old members of ASEAN,” referring to Cambodia, Laos, Vietnam, and Myanmar, which have joined since 1996. The bridge adds a link to the East-West Asian Highway, connecting Phnom Penh, via Route 7, to Ho Chi Minh City in southern Vietnam.

Myanmar, No Longer a Missing Link

As hard as human rights groups tied to George Soros and others might try, it is impossible to ignore a nation of 49 million people, especially when it lies at the geographical crossroads between South, Southeast, and East Asia. Ostra-

FIGURE 1
Greater Mekong Subregion Rail Projects (as of February 1999)



Source: Asian Development Bank.

alized for its treatment of Nobel Peace Laureate Aung San Suu Kyi and her National League for Democracy, and blamed for its failure to end drug-trafficking, which Britain introduced in its 19th-Century opium wars, Myanmar is making headway, with the support of ASEAN and its “Plus 3” dialogue partners.

Malaysia has played a uniquely important role in the last year and a half, through the efforts of former Ambassador to the UN Razali Ismail, as UN special envoy to Myanmar, and through the personal efforts of Malaysian Prime Minister Dr. Mahathir bin Mohamad.

The Dec. 12-15 state visit of China's President Jiang Zemin to Myanmar made the change abundantly clear. President Jiang is the first Chinese head of state to visit since 1985. He held meetings with the three senior officials, Senior Gen. Than Shwe, Chairman of the ruling State Peace and Development Council; SPDC Vice Chairman Gen. Maung Aye; and SPDC First Secretary Lt. Gen. Khin Nyunt, head of military intelligence. President Jiang was accompanied by a 100-person delegation, and almost as soon as he arrived, seven accords on economic matters and border security were signed. China's Foreign Ministry spokesman Kong Quan announced at the time of the signing that China had offered \$100 million in aid and investment, to promote development. Bilateral trade between the two countries is estimated at \$600 million annually, placing China third after Singapore and Thailand. Myanmar is, however, the largest trading partner of China's Yunnan Province, a GMS member.

President Jiang's talks in Myanmar were followed in early January with a thawing of often testy relations between Myanmar and neighboring Thailand. After a two-year hiatus, senior representatives on both sides agreed to renew their annual bilateral Thai-Burma Joint Commission meetings. Foreign ministers of the two countries agreed to discuss a wide array of issues, including anti-narcotic efforts, crop-substitution, infrastructure development, and nagging issues related to refugees and migrant labor.

Within a week of the renewed Thai-Burma talks, on Jan. 15, Thailand, Laos, and China agreed to share the cost equally of constructing a highway linking Thailand's Chiang Khong in Chiang Rai province, passing through Laos' cities of Huay Sai, Laung Nam Ta, and Boten, before reaching China's southern city of Jinghong. China proposed construction of a four-lane highway, while Thailand and Laos prefer a two-lane road, which could be expanded in the future. The ADB estimates a two-lane road would cost \$60-90 million. Thai Transport Minister Wan Nor told reporters that China also volunteered to fund a \$5 million project to improve navigation on the Mekong from Jinghong to Chiang Rai.

On Jan. 30, the Thai cabinet announced it had approved a

joint project, involving four of the GMS countries—Thailand, China, Laos, and Burma—to improve navigation along a 331 kilometer stretch of the Mekong River by blasting 11 rapids to improve shipping channels, including nine along the Burma-Laos border, one on the China-Burma border, and one on the Thai-Lao border in Chiang Khong, Thailand. The project includes construction of six bridge and river crossings. China will fund the \$4.54 million project.

Phase-Change Ahead?

In the first weeks of the New Year, what has been put on the table for ASEAN's consideration, strongly suggests that at least some recognize that a phase-shift is in order, to counter the negative drag on all these countries from an accelerating global economic collapse.

Malaysian Prime Minister Dr. Mahathir announced on Jan. 21 that his government would spend billions of ringgit on building a high-speed electrified railway from Singapore in the south to Thailand in the north, as part of the ambitious 5,500 km pan-Asia rail system, running from Singapore to Kunming, China, due to be completed by 2006. One week earlier, he had said that the government planned to expand all its ports to make the country a regional trade and shipping hub.

Commenting on the proposed high-speed rail system, Dr. Mahathir described it very much like the "development corridors" embedded in LaRouche's Eurasian Land-Bridge program, pointing out that new transportation routes lead to the "emergence of new townships" along the route. "It will take us some time and a lot of expenditure, but it is a worthwhile investment. We cannot think in terms of direct profits, but look at the spin-offs," he said. He referred to the "Trans-Siberian Railway linking Europe to North Asia through Russia" as the model needed for transportation systems for both goods and people. On Jan. 22, China pledged \$4 billion toward the cost of the railway, which will eventually run 3,420 miles, connecting to the Trans-Siberian Railroad to Europe.

On Jan. 23, Myanmar's Deputy Foreign Minister Khin Maung Win announced that the government had informed the International Atomic Energy Agency of its intention to construct a test nuclear reactor "for peaceful purposes, . . . to acquire modern technology in all fields, including maritime, aerospace, medical, and nuclear" research. He said that Myanmar had received a proposal from Russia on the subject. He added, "All our neighboring countries, with the exception of Laos, are already reaping the benefits from nuclear research reactors operating in their countries." The project has been denounced by U.S.-based anti-Myanmar non-governmental organizations. Ironically, in the late 1950s, even while there was competition between the United States and Russia over influence in Burma (now Myanmar), under President Dwight Eisenhower's "Atoms for Peace" policy, Burma was provided with a library on nuclear energy development.

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Open North-South Silk Road To Prevent New Korea Crisis

by Kathy Wolfe

The “Iron Silk Road” rail link between North and South Korea could be completed in time for large numbers of Chinese and North Koreans to visit Seoul by rail as soon as May, South Korean President Kim Dae-jung said in a speech in Seoul on Jan. 17. “Only 14 kilometers of rail” in the Demilitarized Zone (DMZ) between the two Koreas “remains to be completed,” Kim said, “for the Korean Peninsula to become a major commercial area that links Eurasia with the Pacific, and offers new advancement into the vast China market.” Kim reported that North Korea is preparing to reconstruct the northern end of the Seoul-Sinuiju line, running north from Seoul to Pyongyang and Beijing. North Korea is repairing barracks and moving in engineering troops, Kim said, to complete the line before the World Cup soccer games begin in Seoul on May 31.

North Korea has also announced in the Chinese press, its desire to complete the line, Beijing sources told *EIR*. At North Korean-Chinese talks in Beijing recently, agreement was reached on rail transport of up to 100,000 Chinese soccer fans to Seoul via North Korea, the *Korea Times* said on Jan. 22. The North has also offered the new inter-Korean railroad to Southern visitors to this Summer’s Arirang Festival in Pyongyang.

With peace breaking out, President Kim in his New Year’s press conference urged U.S. President George Bush, who is scheduled to visit Seoul on Feb. 19-21, to soften his North Korea policy. Bush, however, did the opposite in his Jan. 29 State of the Union speech. Pressured by lunatics such as Undersecretary of State Richard Armitage, by the U.S. economic crisis, and by the Enron scandal, Bush put North Korea first on a list of “regimes developing nuclear missiles and arming with weapons of mass destruction.” Saying North Korea is part of an “axis of evil,” he concluded: “The United States will not allow the world’s most dangerous regimes to threaten us with the world’s most dangerous weapons.”

The New Silk Road and related economic development agreements, proposed by U.S. Democratic Presidential pre-candidate Lyndon LaRouche in 1992, have suddenly thus become the only path to move the Korean Peninsula away from confrontation. Korea requires a breakthrough more dramatic than after the last confrontation over nuclear weapons policy in 1994, when LaRouche intervened with the Clinton

FIGURE 1
North-South Korea Rail Connections



John Sigerson / EIRNS 2001

North and South Korea’s rail lines, when re-connected, will establish continuous rail travel and shipping entirely across Eurasia, via the Trans-Siberian and Chinese Land-Bridges. In Cologne in December, President Kim Dae-jung spoke of an “Iron Silk Road” benefiting all of Eurasia.

Administration, resulting in the Framework Accord based on peaceful development of nuclear electricity. Rather than biting the hook thrown by Armitage and his “clash of civilizations” crowd, for example, North Korean Chairman Kim Jong-il could boldly move to visit Seoul for the Second Inter-Korean Summit, demonstrating that there is a better way out.

Ten Miles of Iron Silk Road

Korean press reports since Jan. 17 have noted hopefully that since Chinese President Jiang Zemin, Russian President Vladimir Putin, and other world leaders will be in Seoul for the World Cup, North Korean Chairman Kim might also fulfill his promise to travel to Seoul—by rail!—at that time, which would mean a heads of state gathering of enormous international weight. On Jan. 22, South Korean Foreign Minister Han Seung-soo confirmed that Seoul’s invitation to world leaders to attend the World Cup “includes major dignitaries from North Korea.” South Korea also agreed in mid-January to allow South Korean tourists to go from Mount Kumgang on North Korea’s east coast, overland to the Northern capital of Pyongyang to attend the “Arirang” festival.

North Korean senior leader Yang Hyong-sop also made an appeal for new talks with Seoul, at a meeting in Pyongyang on Jan. 22 which was widely reported by North Korean media. “In order to warm inter-Korean relations it is imperative to seek authorities-to-authorities dialogue and all forms of non-

governmental talks and contacts and work harder to boost them,” Yang said.

The re-connection of the Inter-Korean Railroad, which would be a breakthrough for the worldwide Eurasian Land-Bridge project, has become a serious possibility only because of major advances in relations between the Koreas, China, Russia, and the entire Eurasian region. President Kim’s renewed drive for the “last 14 km of the Iron Silk Road,” in his December tour of Europe (see *EIR*, Dec. 21, 2001) was hailed by Jacques Cheminade, candidate for the Presidency of the Republic of France and an associate of LaRouche, as the best way “to restore just economic growth” for all people of Europe and Asia. “Europe, with Russia,” he said in a Jan. 12 statement, “should make clear that we fully support South Korea’s infrastructure and industrial efforts, by organizing long-term, low-interest-rate credits for those projects which will draw North Korea into the overall drive for Eurasian development. As President Kim has repeatedly made clear, only 14 km of rail need to be built to establish a rail link between the two Koreas and Europe, which would enable the Trans-Korean [between North and South Korea] Railway to reach the Russian Trans-Siberian, the Trans-Chinese, and the Trans-Mongolian Railways” (see full statement below).

Italian, Russian, and other European support is also coming in. The article “Ten Miles of Iron Silk Road,” by Moscow commentator Andrei Piontkovsky, picked up Kim’s theme. In the Jan. 25 *Russia Journal*, Piontkovsky said that “Korea is lobbying a project at the highest level that could become a catalyst” to “rebuild our [Russia’s] economy.” The existential crisis facing Russia in the 21st Century isn’t “whether tiny Estonia will join NATO,” he wrote, but “whether Russia will remain a key Eurasian power and keep its territory in eastern Siberia and the Far East,” which is being depopulated by the global economic crisis. The Iron Silk Road, he said, could reverse this, save Russia, and “link the Pacific Ocean to Europe for the first time in history across the Russian territories of Siberia and the Far East.”

Russia has not only been working with China to encourage North Korean openings, but has also been promoting the connection of the west-to-east railway from Seoul to North Korea’s eastern port of Wonsan, with the Russian Trans-Siberian Railway. The project has been basically agreed upon among the three nations concerned, the *Korea Times* reported on Jan. 22, and now under negotiation is the precise method of sharing the construction cost. “Such a tripartite agreement would be a great boost to the improvement of the inter-Korean relationship,” it said.

But could this all be done as quickly as May? “The line could be finished quickly by combining a North Korean workforce with South Korean technology,” an official accompanying President Kim noted on Jan. 17. “If North Korea is serious about the connection of the rail link, it is certainly physically possible to finish it before May,” an official Seoul source told *EIR*. “Since there is only a short distance of about 14 km to



“Only 14 kilometers of rail remains to be completed for the Korean Peninsula to become a major commercial area that links Eurasia with the Pacific,” South Korean President Kim Dae-jung said on Jan. 17. President Bush should welcome a chance to be part of such a diplomatic breakthrough.

reconnect, it should be feasible to de-mine that area of the DMZ and clear it for the rail line in time. South Korea is trying to prepare for the World Cup as a world festival. In light of this, we would welcome any world leaders coming to attend.” This includes Chairman Kim Jong-il, who is being constantly invited to Seoul.

“The South Korea government has decided to forge the railroad connection with both the Trans-China and Trans-Siberian Railroads,” the state-owned Radio Korea International reported on Jan. 18. “They want to make South Korea into a logistical intersection for Northeast Asia. The decision was made under the leadership of Finance Minister Jin Nyum,” the Deputy Prime Minister, who is working directly with President Kim and the Unification Ministry on the Silk Road. This implied that Jin, the architect of Korea’s economic program, contemplates serious reorientation of South Korea toward the Chinese and Eurasian market.

Flank Armitage and Brzezinski

President Bush, who has been facing the threat of a military coup d’état inside the United States since Sept. 11, has shown himself able to cooperate with new and unusual allies since then, especially with Russian President Putin and Chinese President Jiang. By himself, Bush might easily welcome a chance to be part of a major global diplomatic breakthrough which the Seoul World Cup could present, since the U.S. President would be heartily welcome at the World Cup heads of state meeting.

Saner heads in the U.S. administration, such as Secretary of State Colin Powell, have insisted repeatedly, until days ago, that there is absolutely no evidence of any North Korean involvement in terrorism against the United States. If he had good advice, President Bush might well be delighted to be present when the ribbon is cut to open the historic Iron Silk Road, an event comparable to the hammering of the Golden Spike which connected the U.S. east and west coasts in the 19th Century.

A group of clinical maniacs, however, led by the State

Department's Armitage, former National Security Adviser Zbigniew Brzezinski, and other proponents of the "clash of civilizations," began beating the war drums against North Korea at the beginning of January—just as peace "began breaking out" in Korea. Their timing indicates that they are more worried about the growing economic cooperation in Korea and its implications for the economic development of Eurasia, and Korea as a new economic superpower, than about any military threat from Pyongyang.

"We don't want a reunified Korea; we don't need a second Japan over there!" a top U.S. official of the Armitage stripe, stationed in Seoul during the first Bush Administration, told *EIR* on March 13, 1995. "Nobody wants that!" Former British Prime Minister Margaret Thatcher "was right to try to keep Germany divided," he said, fearing the economic competition a unified Germany might pose for Britain. "Not as a military potential do we want unification, and not even Korea as a strong economy," he said. "We need to keep North Korea just as it is. We need a new enemy to replace the U.S.S.R." (see *EIR*, April 7, 1995, p. 35).

These geopolitical kooks must now be strategically flanked, by bold moves from the Korean side to draw President Bush personally into the peace process. They are able to pressure the President because of the extreme economic crisis inside the United States. It is well known that Armitage insisted in March 2001 that the Bush Administration rip up the Clinton North Korean accords, and demanded a new "comprehensive approach" in which the United States won't talk to Pyongyang until they agree to unilaterally disarm. The geopoliticians knew this was a slap in the face, and did it precisely to keep the "enemy image." Seoul's Kim Dae-jung government made numerous statements to the press in early January that President Kim had planned to appeal personally to President Bush at their Feb. 17 summit, to give up the Armitage approach, let Pyongyang "save face," and move forward.

The Armitage entourage has been building their "case" against North Korea all month:

- On Jan. 11, the CIA, under pressure from Armitage's office, issued a report to the Senate Intelligence Committee, stating that North Korea has finished preparations for tests of the Taepodong-2 missile, which, it said, could put all of North America within its range.

- On Jan. 14, Armitage himself loudly praised Japan's sinking of a foreign ship in its waters, as a victory over a "North Korean drug-running ship."

- On Jan. 20, Speaker of the U.S. House of Representatives Dennis Hastert (R-Ill.), in a Seoul press conference, warned that "North Korea is a threat to South Korea and other countries in Asia at the same time. . . . There is high potential for a nuclear threat from North Korea. North Korea is able to launch germ war and nuclear warheads in many corners of the earth. Even after the Sept. 11 attacks on America, intelligence agencies have been investigating about North Korea and I've

had a report on the North every week."

- On Jan. 24, U.S. Undersecretary of State for Arms Control John Bolton, a member of the Armitage coterie, accused North Korea of violating the Nuclear Non-Proliferation Treaty. "The fact that governments which sponsor terrorist groups are also pursuing chemical, biological, nuclear, and missile programs is alarming and cannot be ignored," Bolton told the Conference on Disarmament in Geneva. "Countries such as North Korea and Iraq must cease their violations of NPT and allow the International Atomic Energy Agency to do its work."

"Is the U.S. Distancing Itself From Kim Dae-jung's Administration?" asked a *Korea Times* Jan. 28 editorial, pointing out that Seoul opposition Grand National Party leader Lee Hoi-chang met Armitage, U.S. Vice President Dick Cheney, Secretary of State Powell, House Minority Leader Richard Gephardt (D-Mo.) and other senior officials—which is quite unusual—during a long tour of Washington on Jan. 22-25. He also met former U.S. Secretary of State Henry Kissinger and Brzezinski, a key architect of the "clash of civilizations."

Lee, in a Jan. 25 Washington press conference, explicitly opposed any visit by North Korean leader Kim Jong-il to Seoul, and sharply attacked President Kim's "Sunshine Policy." "They met Lee because he is the favorite for the December election," one Seoul official said. The official noted that the U.S. Embassy in Seoul has mounted a campaign to oust President Kim Dae-Jung's party from power in the Presidential election this Fall. None of this is in America's national interest, and it can be defused, but this will require leadership with vision.

Support South Korea's Peace Through Development Policy

The following statement by Jacques Cheminade, candidate for President of the French Republic, was issued from Paris, on Jan. 12, 2002. It followed South Korean President Kim Dae-jung's visit to Europe in December, in which he proposed the "Iron Silk Road," from the Koreas to Paris and Rotterdam, as a Eurasian-wide economic boon.

On Dec. 11, 2001, South Korean President Kim Dae-jung, speaking at the European Parliament in Strasbourg, called upon Europe to support his peace initiative toward North Korea, and his inter-Asian and Eurasian development policy.

This call deserves concrete support, especially from France and Germany, not only because peace through mutual

economic development is an absolute right for all of East Asia, but also because it is in our own interest to build a new "Iron Silk Road" linking Europe to Asia, in order to restore just economic growth for our populations.

On July 6, 2001, Foreign Minister Hubert Védrine received South Korean Foreign Minister Han Seung-soo in Paris, and expressed "his conviction and his support" for South Korea's "Sunshine Policy" of opening relations with North Korea. Earlier, Prime Minister Lionel Jospin, in a toast during a luncheon for President Kim, said on March 7, 2000: "France, as well as its European partners, supports and approves the clear-headed policy of engagement which you have toward North Korea. . . . You have embarked upon a rapprochement with your neighbors, China and Japan. You have thus opted for cooperation and the future, in spite of the wounds and the misunderstandings of the past."

Frenchmen and Europeans, the time has now come to put deeds behind these nice-sounding words. Last Fall, North Korea suspended the fourth session of the Inter-Korean Meetings because of the world military crisis, and in particular due to the war-time state of alert on which the 37,000 American troops in South Korea have been put. American Ambassador to Seoul Thomas Hubbard furthermore stated on Oct. 26, 2001, that South Korea must "reform its structures" by stopping public aid for South Korean companies in financial difficulty, as has been demanded by the International Monetary Fund, which will severely damage the domestic economy. Mr. Hubbard indicated that Washington might limit imports of South Korean steel if Seoul did not comply.

Europe, together with Russia, should therefore make clear that we fully support South Korea's infrastructure and industrial efforts, by organizing long-term, low-interest credits for those projects which will draw North Korea into the overall drive for Eurasian development. As President Kim has repeatedly made clear, only 14 kilometers of rail line need to be built to establish a rail link between the two Koreas and Europe, which would enable the Trans-Korean Railway (between North and South Korea) to reach the Russian Trans-Siberian, the Trans-Chinese, and the Trans-Mongolian Railways.

On a more ambitious level, by building the new Iron Silk Road and the new fiber-optic and other high-technology links outlined in Strasbourg by President Kim, Asia and Europe would progressively become a unified continental development zone.

President Kim has also taken leadership to create a true East Asian development organization from the countries of Southeast Asia [the Association of Southeast Asian Nations], and South Korea, Japan, and China in Northeast Asia, the ASEAN+3. The East Asian Vision Group of Advisers to these 13 nations' heads of state, submitted a report for the nations to form an East Asian Community, laying the basis for understanding and cooperation among Asian countries, on Nov. 5-6 at the Brunei summit of the 13 heads of state. North Korea

has also been invited to participate. President Kim Dae-jung is also aware that this is not enough, and that Russia and Western Europe are indispensable in order to give this perspective sufficient breadth and extension.

European countries, which should be calling for a New Bretton Woods monetary system, for a new international order reorienting credit to infrastructure development, production, and labor, should also include this East Asian cooperation with Russia and Western Europe in the proposal.

At the time when the two Koreas are willing to accept a Peace of Westphalia or an Edict of Nantes, we must provide them with an extension into Europe and Asia. Our *EIR Special Report* on the Eurasian Land-Bridge and New Silk Road ["The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development"; see also, "Eurasian Land-Bridge: Build Our Way Out of the World Depression," *EIR*, Nov. 2, 2001] has been circulating in Asia since 1997. Now is the time to act.

What are our political leaders waiting for? What are our major corporations waiting for? We, as Frenchmen, have no excuse: Isn't Korea the Asian country where French is spoken most? We, as Europeans, have no excuse. Wasn't Korea a pioneer in the development of the printing press in the 8th Century? Didn't Korea invent the first armored ships during the European Renaissance? General de Gaulle used to speak of a Europe from the Atlantic to the Urals; the hour has now struck, for a Eurasia from the Atlantic to the China Sea.

Euro Is a Disaster, As EIR Predicted

by Rainer Apel

The introduction on Jan. 1, of the European Union's (EU) new single currency, the euro, for daily use by citizens, has already borne out *EIR's* forecast of ten years ago, that the EU's Maastricht Treaty, with its stringent budget-cutting criteria for membership in the European Monetary System, or "euro-zone," would be a catastrophic failure for the national economies involved. By the end of January, the euro had already lost 6% in value, hovering at around 85-86¢. The economic situation is worsening in all of the EU member-countries, notably in the 12 states that belong to the euro-zone (EU members Britain, Sweden, and Denmark have stayed out, so far).

The most worrisome developments are reported from Germany, the biggest economy in Europe, and the importer of last resort for the rest of the EU, absorbing 20%, 30%, or even more, of entire categories of goods produced in the other

EU economies. In November 2001, which is the latest figure published officially, German imports from the other EU countries had declined 20% compared to the previous year. German exports to the rest of the EU dropped by “only” 7.3%, in the same period. This promptly led to an additional half-million jobless in Germany during December and January. That, after a half-million jobs had already been wiped out during 2001, in the productive *Mittelstand* sector—the small and medium-sized firms that account for 50% of all industrial or other productive investments, 60% of generated product value, 70% of all jobs, and more than 80% of all apprentice jobs. As the association of savings banks in Germany, the DSGV, reported on Jan. 28, the *Mittelstand* lost almost 34,000 firms in 2001 and 31% of the sector’s firms do not earn a single cent in profits. Joblessness, which is at an official level of 4.3 million (to which 3–4 million “hidden” jobless have to be added) for January 2002, is certain to reach the 5 million mark, soon. Without state intervention, unprecedented investment incentives for the *Mittelstand*, and big infrastructure projects to create many new jobs at once, the German labor market is doomed, and with it, the prime export market for the rest of Europe.

‘Early Warning’ to Germany

But, the German government is trying to be the star pupil of the Maastricht system, as it intends to strictly implement the budget restrictions of the treaty, which outlaw such state interventions. Instead of campaigning to abolish the entire system and replace it with a system of coordinated, sovereign national economies—or, at least, to ease the restrictions on national budgets—the German Finance Ministry continues manipulating its data, in order to keep the aura of Maastricht intact. This is in vain, however, as Germany has been inching closer and closer to a state budget deficit exceeding the 3% of Gross Domestic Product limit set by Maastricht. Despite all its tricks, Germany is at 2.7% now, which makes it a candidate for an “early warning” by the watchdogs at the EU Commission in Brussels. That warning is the first stage of a procedure at the end of which will be sanctions—a penalty that Germany must pay for “violating the criteria.” That penalty, to be paid to the Commission, will be in the range of 4–5 billion euros, for the next fiscal year.

On Jan. 30, the EU Commission issued the “early warning” to German Finance Minister Hans Eichel.

This was the second setback for Eichel in two days: On Jan. 29, the government luckily escaped a Supreme Court ruling over a delicate budget issue: the unsecured funding of the EU’s joint project for building a new, large aircraft for military air transport, the A400 M (a military version of the Airbus 400 model). By treaty with the other EU partners in that project, notably France and Britain, Germany is bound to purchase 73 of these aircraft for the sum of 8.6 billion euros. But in order to keep expenses down in the FY 2002 budget, and therefore avoid exceeding the 3% deficit limit,

Eichel and Defense Minister Rudolf Scharping designed a complicated scheme according to which Germany would assign only 5.1 billion euros for the aircraft this fiscal year, and the remaining 3.5 billion in FY 2003. But then, the British government forced Germany to stop being vague about the future of the 3.5 billion, and sign a “side letter” on Dec. 18, agreeing to put the entire 8.6 billion on the table by no later than Jan. 31.

Boxed in, Berlin organized its parliamentary majority to pass a resolution in favor of the Eichel-Scharping scheme on Jan. 24, claiming that this was official enough to meet the Jan. 31 deadline. The parliamentary opposition of Christian Democrats and Free Democrats promptly filed a legal action against the government before the Supreme Court, which is expected to force the government to respect the budget laws, which outlaw detailed pre-determination of expenses in a budget (FY 2003, that is) that has not yet been passed by parliament.

The entire A400 M affair just illustrates the many pains that Berlin is suffering, in its desperate attempts to keep the aura of Maastricht intact.

Other Problems

But there are other problems faced by the Minister of Finance. For example, corporate tax revenue, one of two main sources of revenue from the corporate sector (the other being the sales tax), is showing a disastrous trend, under the combined impact of pro-globalization tax cuts and the declining ability of firms to pay taxes because of depression-related reduced output. Whereas in FY 2000, the government still collected 23.6 billion deutschemarks in corporate taxes, it was hit with a net loss of DM 0.5 billion in 2001—which is a difference of DM 24.1 billion, or almost 12.4 billion euros.

In one year, therefore, corporate tax revenues collapsed by 102%, a figure not recorded in German fiscal history since the Great Depression. The Maastricht house of cards is collapsing in Germany. The only way out of the troubles caused by the collapse of Maastricht, is its replacement by a European sub-variant of a New Bretton Woods reorganization of the global financial-economic system, as has been proposed by the LaRouche movement.

This alternative has been addressed prominently in an official challenge issued in mid-January by Helga Zepp-LaRouche, national chairwoman of the German BüSo (Civil Rights Movement Solidarity) party, to incumbent Chancellor Gerhard Schröder and his Christian Democratic challenger, Bavarian Governor Edmund Stoiber (see *EIR*, Feb. 1, 2002). She called on both politicians to stop propitiating Maastricht. Instead, she said, they should face the necessity of declaring that system null and void, and acknowledge the urgency of fighting the deepening economic depression with proven methods of physical national economics that favor investments in production, as the fundament on which full employment and sound tax revenue generation could be based.

Indonesia Is Threatened Economically, Militarily

by Michael Billington

Indonesia was the most devastated among the several South-east Asian countries hit by the 1997-98 speculative assault by George Soros and the hedge funds, and has been further crushed by the dictates of the International Monetary Fund (IMF) over the past four years. With over 40 million Indonesians unemployed (about 40% of the workforce), and the number rising, the country is now being hit from two sides simultaneously: demands by the IMF to give up all remaining sovereign defenses of the national economy; and threats that Indonesia is failing to act against the “international terrorist” networks supposedly operating freely within the country—a charge contested by the government.

U.S. Deputy Secretary of Defense Paul Wolfowitz, backed up by a press barrage led by the *Washington Post* and the *New York Times*, has named Indonesia as one of the preferred “Phase II” targets of the U.S. war on terrorism. They accuse the government of being weak and complacent in regard to terrorist networks, while areas of the country have supposedly fallen out of the control of the central government, becoming centers of operation for al-Qaeda-linked groups. Such threats were reinforced when President George Bush, in his Jan. 29 State of the Union Address, said that 12 states (the Philippines and Indonesia are on this list) have al-Qaeda networks operating on their territory. Bush added: “Some governments will be timid in the face of terror. And make no mistake about it: If they do not act, America will.”

In the Philippines, U.S. military forces have commenced joint search and destroy missions with the Philippines Army, with no clear objectives or limits on the potential for expanding the engagement of U.S. troops in combat, and over strong objections by leading political forces in the Philippines, including some even within the government itself. U.S. intentions in Indonesia are therefore a matter of great concern.

The terrorist/military aspect of the crisis in Indonesia cannot be understood apart from the economic disaster now facing the nation. Indonesian economists are warning that Indonesia could become the “next Argentina,” while the government has called for a moratorium on its foreign debt, in the form of a “restructuring” of both principal and interest for at least the current year.

And yet, the IMF is squeezing the country to the breaking point, as the following examples demonstrate:

- The last Letter of Intent with the IMF, signed in December, demanded a phased cut in fuel and power subsidies (i.e., a rise in rates), and increases in phone rates. The increases

began in January and will continue throughout the year. One immediate effect was spikes in kerosine and other fuel prices, as well as near panic in some areas over the price and supply of rice and other staples. Although there have been relatively only mild protests thus far, the memory of 1998 is fresh in the nation’s memory, when IMF Managing Director Michel Camdessus gloated over President Suharto as he signed away the country to similar IMF dictates, leading to horrific riots and the downfall of the regime.

- The IMF has responded harshly to the decision by the administration of President Megawati Sukarnoputri to permit companies which were supported by the government after the 1998 crash, to stretch out their debt repayment, from four years to ten years, at a reduced interest rate (9% rather than 17%). Since the companies have not recovered, demanding payment now would mean the closing of many of Indonesia’s private-sector industries and financial institutions—or their sale to foreign interests at a nickel on the dollar. This is the IMF’s preferred “solution,” as demonstrated repeatedly throughout the world. David Nellor, the IMF representative in Indonesia, demanded an explanation of this breach of IMF conditionalities, and said that “the primary consideration must be given to the budgetary impact of such a move.”

- Indonesia’s hesitancy to sell off the crown jewels (the state-owned banks and industries) to foreigners is under fierce attack. The sale of a huge cement company, PT Semen Gresik, to the Mexican giant Cemex, has been held up by national legislators, provincial officials, and Gresik employees, who all reject the loss of this national industry. The other major sale on the table, that of the largest bank, and branch bank network in Indonesia, Bank Central Asia (BCA), is moving forward, but the IMF and Western financial press have warned Indonesia that if an Indonesian company is chosen as the buyer, rather than a foreign bidder, this would constitute *prima facie* evidence that the entire process is corrupt! One American Indonesia expert told *EIR*, “If the government won’t sell BCA to [Britain’s] Standard and Chartered Bank, then foreign investors will wash their hands of the country altogether.” Foreign direct investment has already fallen 41.5% in the past year, reflecting the economic collapse now striking the Group of Seven (G-7) nations.

National Development Planning Minister Kwik Kian Gie caused a stir on Jan. 28 when he declared that BCA should not be sold to any of the foreign bidders, because the bank receives \$480 million per year as interest on its government bond holdings, which should be kept within the country. This puts in perspective the IMF’s “generous” loan to Indonesia in January of \$341 million, an apparent carrot for raising fuel and energy prices and for moving forward on the prospective sale of BCA. But note that the country will lose more money each year in bond payments to a foreign-owned BCA than they take in from the IMF loan. Economist Rizal Ramli pointed out that in 2001, Indonesia received \$400 million in loans from the IMF, but paid the IMF \$2.3 billion in debt

service in the same period.

A leading Indonesian economist, Sri Mulyani Indrawati, told *EIR* that she is convinced that the current huge debt burden, both foreign and domestic, is unsustainable. The 1998 devaluation of the rupiah by more than 300% more than tripled the debt burden on the Indonesian economy (without Indonesia having borrowing a cent!). Nonetheless, the Indonesian economy was far stronger at that time than it is today. Over these four years, not only has the industrial infrastructure of the country been decimated, but the oil price has collapsed (Indonesia is a major oil producer), and Indonesia's primary export markets in the G-7 have collapsed. The potential for a national default within the next two years, unless drastic changes are implemented, she warned, is very great. She is also pessimistic that the Paris Club of creditors will grant the government's request for a total restructuring of the approximately \$3 billion in debt service due this year—and next year, the figure will be more than \$10 billion.

The dire nature of the crisis points to the fact that the only measures that can succeed in preventing the disintegration of the nation, are of the type presented to Argentina by U.S. Presidential pre-candidate Lyndon LaRouche following the Argentine default and the collapse of the government in December: immediate implementation of currency and capital controls of the sort in existence in the 1950s; adoption of the proven, dirigist measures to expand productive investment in industry and farming; a freeze on all foreign debt obligations. And, as LaRouche wrote in regard to Argentina, but which is equally true for Indonesia: "In dealing with foreign creditors and foreign powers, Argentina must recognize that its weakness is its strength. Argentina is merely a symptom of the current state of the global financial system. Therefore, whoever is pushing Argentina should realize that Argentina has the means to set in motion a process which will accelerate the true state of the bankruptcy of its foreign creditors—Spain, Italy, Germany, France, the United States, and Japan. Argentina can reveal what is the true financial conditions of those countries and the global system."

Wolfowitz Threatens War

On Jan. 8, the *New York Times* published an interview with Deputy Secretary of Defense Wolfowitz, the leading spokesman within the administration for the "clash of civilizations" policy for global religious wars, beginning with Iraq, disregarding the coalition forged among President Bush and Russia, China, and others, which has thus far prevented just such a disaster from unfolding. In the interview, Wolfowitz, who once served as U.S. Ambassador to Indonesia, essentially admitted that he had been defeated in his effort to convince President Bush to go to war with Iraq, at least at this time, but that he expects to find some weaker nations, such as Somalia, Yemen, the Philippines, and Indonesia, where the United States could expand the war begun in Afghanistan. He described Indonesia's government as "extremely weak," and said that the government has virtually lost control over vast

areas of the country, allowing al-Qaeda and other terrorists free access. The *Times* called Indonesia an "anarchistic state," and quoted unnamed Pentagon officials saying that the United States is "looking for bad guys to chase" in Southeast Asia, and that Indonesia is the "most worrisome" for Washington.

As the U.S. military operation in the Philippines was rushed into place (see "U.S. 'Phase II' Escalation Pushes the Philippines Closer to Chaos," *EIR*, Feb. 1, 2002), the Western media escalated coverage of Indonesia as virtually a "failed state." *Newsweek*, for example, in its Feb. 4 issue, said that Indonesia had a "cavalier attitude" toward the war on terrorism, that it was the "weakest link in the war on terrorism in Southeast Asia," with porous borders, vast corruption, leaders "leery of offending the country's 200 million Muslims," and a weak Army with elements which supported Islamic extremist groups. The *Washington Post*, in a Feb. 27 editorial, wrote: "Al-Qaeda and its allies seem to retain breathing space [in Indonesia] that no longer exists in Afghanistan or Pakistan." The editorial admonishes President Bush that he has not "found the means to adequately answer the threat. . . . These networks are aggressively plotting to kill Americans; no less than in Afghanistan, the United States must act urgently in its own defense." Then, in the State of the Union Address, Bush said the United States will act where governments prove to be too "timid."

While it is true that there are violent organizations in Indonesia, both religious and ethnic in nature, it is also true that these tendencies were largely subdued before the collapse of the economy in 1997-98. But with two-fifths of the workforce now unemployed, the country has become a spawning ground for violence of all sorts. The war-promoters point to the arrests in both Malaysia and Singapore of terrorist cells, with ties to Afghanistan, some of whom were planning attacks on U.S. facilities. But the fact that these countries escaped the worst of the economic collapse of the "Asia crisis" (in Malaysia's case, because it rejected the IMF policies and protected the currency and the general welfare), provided the environment in which to isolate and arrest such criminals. Most important, these countries, while welcoming shared intelligence and cooperation with the United States and others, acted through their own sovereign institutions.

Indonesia deserves U.S. military aid to build up its weakened capacities—aid which has been foolishly denied because of human rights complaints related to the conduct of the 1999 referendum in East Timor. The Bush Administration has offered \$10 million in anti-terrorist assistance, and is trying to convince the Congress to lift the existing ban on further support. However, Indonesia has not decided whether to accept the offer—perhaps because it doesn't know "which America" it is dealing with, and what the conditions will be.

What must be made clear to all, is that the terrorist problem can only be dealt with in a purely sovereign manner, and that until sovereign economic measures are implemented to stop the bleeding of the nation by foreign economic terrorists, the violence will only get worse.

Will Japan Continue as An Industrial Nation?

by Kathy Wolfe

Japan's unemployment climbed to 5.6%, the highest since records began in 1953, the government said on Jan. 28, with more than 3.4 million people out of work. Machine tool orders plunged 43.6% in December compared to a year ago, according to the Machine Tool Association, including a 21% drop in domestic demand for industrial investment.

At the same time, Anglo-American attempts to start a run on Japan's banks escalated, as major players endorsed the "prediction" by John Makin of Washington's American Enterprise Institute (AEI) that some \$1 trillion is about to be pulled from the banks (see *EIR*, Jan. 25, 2002). Standard & Poor's rating agency described Tokyo's banking system as "technically insolvent" in the London *Financial Times* on Jan. 29. On Jan. 21, Moody's cut ratings of Japan's biggest banks to negative. Richard Jerram at ING Barings Tokyo told the Jan. 23 *New York Times* that over \$755 billion in deposits are already being moved from small to big banks, into gold, or under the mattress, by fearful Japanese.

"Will Japanese Prime Minister Koizumi Freeze Bank Deposits?" shouted headlines in the Tokyo intelligence leak sheet *Weekly Post* on Jan. 21. The government is "confidentially preparing to pass legislation that would freeze depositors' bank savings as a form of 'martial law in a financial emergency,'" they wrote.

And, if Wall Street tanks this year, every American housewife now knows whom to blame, since even the popular magazine *Newsweek* in late January ran a feature titled "Japan as Argentina," promoting Makin and his theory. Japan, they write, "is threatening the global financial system like a moody emerging market." New York's Lazard Frères, the bank that owns *Newsweek*, expects a U.S. crash, which will destroy major American banks. They need an enemy to take the blame, and Iraq won't do.

"The root of this crisis is that the Japanese people generated a lot of savings, but refused to send it out of the country," said Dr. Makin, reached for comment on Jan. 30. Now, he said, Wall Street plans to make a lot of money, as in Thailand and Korea in 1998, because "if they think their financial system is going to collapse, they'll want to get their money out." Guess who wants to handle that \$7 trillion in cash outside Japan.

Japan's Existential Crisis

Wiser heads in Tokyo should realize by now, that it's useless to keep playing the post-1971 International Monetary Fund (IMF)-World Trade Organization game, as the happy junior partner selling consumer goods to the fat American market. The semi-rational world of the 1960s is gone. The people on the other side of the table in New York and London are no longer rational partners, but lunatic speculators who—like the Enron management—are likely to steal your last dollar this week, and never think about how either of you will eat, next week.

"Dr. Makin's comments are compatible with his desire to make a profit, since he is also affiliated with Caxton Corp.," a \$3 billion Wall Street hedge fund tied to megaspeculator George Soros, which has major assets in foreign currency speculation, one Japanese official pointed out to *EIR*. "His philosophy is: 'If there is a chance of making money, just do it.'" Makin's "theory" is just an assertion, that his circles want a bank run, so he'll try to create one, the official noted. "His model relies on a crucial assumption: Bank runs in Japan will take place nationwide. Unfortunately, I do not see how his description of bank runs could occur in a systemic manner. I've done some research on the mechanism of bank runs myself. It's not easy to create an incentive for all the depositors to collectively run on their banks."

The larger point, however, is that the *global*, dollar-based, IMF-centered banking system is bankrupt, Presidential pre-candidate Lyndon LaRouche told an international webcast in Washington, D.C. on Jan. 24. "Japan faces an existential crisis," LaRouche said, like dozens of other countries, due to the IMF system's terminal illness.

"Japan has been under foreign attack, for a long period of time . . . on the issue of Japan's policy to industrialize the rest of the world," LaRouche said. "Japan has been attacked for its 1970s Iran policy; Brzezinski attacked Japan's Mexico policy and so forth." He was referring to Brzezinski's threat in 1979, after Japan had begun to industrialize Mexico and Iran, that "we don't want any more Japans south of the border."

Previously, LaRouche continued, most Tokyo leaders "believed Japan's mission was to find, especially among its neighbors in Asia . . . 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 a national security policy."

No Domestic Way Out

But when, after 1980, Tokyo agreed to stop shipping so many industrial goods to the Third World, and focus on consumer exports to the West, it was a strategic blunder, LaRouche said: "Japan's potential has been destroyed."

"Take a wider view," LaRouche went on. "Look at the entire global system now. 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 told to print 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, Japan has reached the point that it is technically bankrupt”—along with major U.S. and European banks.

“So Japan has really *nothing to lose* by facing that reality. *There is no possibility for recovery or survival of Japan under present global conditions.* And, when Japan goes, the U.S. dollar goes, because without the support of Japan, the U.S. dollar will collapse very soon. . . . 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 . . . *the whole system is gone!*”

Therefore, the only solution for Japan, is an international solution, the creation of a New Bretton Woods international monetary system, LaRouche said. There is no domestic solution for Japan. Immediately, “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,” to come out in public and tell the whole truth about the world situation. It is not three Argentine banks or four Japanese banks, but the global system which is the bankrupt, and needs top-down reorganization.

An Industrial Future?

Japan’s large industrial producers may face the same threat as South Korea’s Hanbo Steel or Daewoo Motors: to be dragged into bankruptcy by a combination of IMF “globalization” and the attack on the banks. Fujitsu, Japan’s top producer of mainframe computers, has been losing 18 billion yen a year and its share price has dropped sharply, due to foolhardy investments in the U.S. and British “dot-com” sector, Nikkei said on Jan. 24. Toyota Motors is in similar financial trouble.

Examine in more detail Wall Street’s claims as to what is the “fundamental problem” in Japan, which is threatening to destroy the world. Their argument is that Japan has gotten into banking trouble because it keeps trying to function as an industrial nation—and therefore, Japan should not continue this. “Big business” and “corrupt bureaucrats” have so expanded industrial plant, they say, that they can’t sell the output, so their loans to the banks have gone bad.

“The root of this crisis is that the Japanese people . . . put their money in domestic banks and government banks,” such as the Postal Savings system, which has almost \$2 trillion, Makin claims. “So the banks and government took the role of intermediaries and over-invested massively in Japan in industrial plant and equipment and research and development—electronics, autos, all sectors of industry. Their disposition of accumulated savings has largely gone

into excess industrial capacity.”

Makin’s mentor, Prof. Karel van Wolferen of Amsterdam University, stated this on Jan. 21 in an editorial in the *Weekly Post*, which urged Japan’s citizens to get their money out of the banks fast, before the corrupt government freezes all deposits. “Japan must alter economic policies emphasizing manufacturing, and shift to those stressing consumers,” he wrote. “Japanese economists frequently dwell upon increasing productivity of business corporations; however, demand cannot follow the increase of production capability. Japan is facing an excessive surplus of production capacity. . . .

“The Japanese miracle of economic growth was achieved based on bad debts. . . . The current Japanese financial system is on the same basis.”

Wolferen explained his pernicious “Japan theory” in more detail to *Wired* magazine in June 1999. “Japan has a credit system where there is a collective understanding of which industries ought to be encouraged. This ensures those industries have access to an unimpeded flow of funds and that they do not need to show a profit. . . . They can go for ten years fighting for international market share and be losing money all the time. In Japan’s postwar system, investments were made not for profit but for gaining industrial strength. Japan wanted to become not rich, but strong. The Japanese economy is basically a war economy operating in peacetime. It worked very well for a long time. However, it became clear that Japanese expansion of productive capacity could not go on forever. *The world demand simply wasn’t sufficient.*”

Geopolitics Playing ‘Economics’

And why not? Why could not Japan have gone on, to industrialize Mexico, Iran, and then Africa? There is no answer—only Brzezinski’s geopolitical desire to keep these nations as colonies, and the old prejudices of the 1972 anti-industrial “Limits to Growth” theory.

The danger of this, however, is that it appeals to the piggish side of the Japanese public, which is urged to focus only on “what will happen to *my money?*” and ignore the fact that the nation is being destroyed. This is what happened to Americans in the savings and loan crisis of the 1980s. The corrupt Japanese media are blaming the nation’s troubles on bureaucrats and “crony capitalists”—to whip up the public until it supports calls for banks and the companies they lend to, to be shut down. This is Wall Street’s “final solution” for Japan’s sin of “excess industrial capacity.”

The System Called ‘Japan’ Which Does Not Make People Happy is the title of a recent best-selling book in Japan, by Wolferen, about “the social cost of the system’s political and business bureaucracy.” Japanese would be more happy, he concludes, if they had less industry.

Didn’t Asian nations fight Opium Wars and wars of independence against this kind of colonialization?

Business Briefs

Deregulation

Brazil Re-Regulates Electricity Production

Brazilian President Fernando Henrique Cardoso headed up the meeting of the Energy Crisis Commission in which the government has decided to revoke major parts of its deregulation of the electricity industry, which has been privatized by increments over the past four years, *Zero Hora* reported on Jan. 10. The decision comes in the wake of the collapse of the energy pirate Enron.

The Energy Spot Market (MAE), which was "self-regulated" by the private sector, will be eliminated, and replaced by a Brazilian Energy Market (BEM), which will be regulated by the National Electricity Agency. The BEM will resolve conflicts among generators, distributors, and sellers of electricity, previously left to the whims of the market. "What is being done is an in-depth revision of the system. The jamming up of the MAE was the Achilles' heel of all the crisis. The system was created to be competitive, and it ended up not being so," President Cardoso said.

The government will maintain its controls on the price of electricity sold by the generators, which provide 90% of the country's electricity. This reverses the decision, scheduled for 2003, to lift all price controls. Francisco Gros, head of the national oil company Petrobrás, explained this measure as necessary to stop the "rate shock" which was looming. The government also announced on Jan. 9, that it will not privatize any more generators.

China

Academics Say, Build Space-Based Infrastructure

Four space technology specialists of the Chinese Academy of Sciences have called for the development of China's "fourth territory," i.e., space, the China News Agency reported on Jan. 15. In their report, entitled "Building of China's Space-Based Infra-

structure," the specialists propose that conventional ground-based space facilities no longer meet requirements for the future, so infrastructure should be built in space. The report says that "opening up outer space would require infrastructure in space, much like the development of land, sea, and air, which require ground facilities such as railroads, sea ports, power stations, and airports."

Academician Wang Xiji explained, "The so-called space-based infrastructure refers to the engineering systems that will be built in space, and used in developing and exploiting space resources and expanding the habitation space of humankind." It would include increased performance of meteorology satellites, building an Earth remote-sensing infrastructure, a three-dimensional navigation and positioning system, a national geographic information system, ocean observation satellites, disaster and environmental monitoring infrastructure, and a civilian information network suitable for use during wartime.

All of these elements, and China's manned space program, are included in the government's 10- and 20-year space program plans, released last year. But China, the authors state, has "a lag in the consciousness of the people and the nation" of the importance of space development. This concept, of a "fourth territory," needs "vigorous promotion in China. . . . Developing 'space territory' should be treated as a fundamental national strategy."

Biological Holocaust

Warning That AIDS Will Be Worst Pandemic Ever

Philip Lamptey, president of the U.S.-based Family Health International AIDS Institute, warns that AIDS will surpass the 14th-Century Black Death as the world's worst pandemic, unless the 40 million HIV/AIDS sufferers get life-prolonging drugs. He wrote in the *British Medical Journal* which was released in January. In the 14th Century, bubonic plague killed 40 million people in Asia and Europe.

Lamptey supports various measures to ostensibly prevent the spread of AIDS through sex, but warns that poverty is greatly worsening the disease's spread: "The pandemic continues its relentless spread—about 14,000 people are infected every day. . . . Large-scale prevention efforts have been successful in only a few countries, mainly because of inadequate resources and lack of international commitment."

Nearly 30 years ago, U.S. Democratic Presidential pre-candidate Lyndon LaRouche formed a Biological Holocaust Task Force, and warned that a new Dark Age would see unprecedented pandemics if policies contributing to economic decline, lack of investment in medicine, and non-enforcement of public health measures, were not reversed.

Economic Policy

'Neo-Liberal' Model Ravaging the World

Devastating new evidence is coming to light about ravages wrought in the world economy by the "neo-liberal" model, London *Guardian* Economics Editor Larry Elliott wrote on Jan. 21 in an article entitled "A Cure Worse Than the Disease." Elliott points to the failure of "shock treatment" in Russia and Argentina, but says that the most graphic example is the much-heralded case of New Zealand, whose policy, a miserable failure, was designed by the Mont Pelerin Society, which *EIR* warned would crack about in a two-part series in Oct. 21 and 28, 1988; and revisited on June 13, 1997.

In 1984, New Zealand's Labour government started deregulating interest rates, removing international capital restrictions, floating the currency, removing agricultural subsidies, and did much more along the same lines. As a consequence, inequality in New Zealand grew more rapidly than in any other country, yet it was "hailed as the country that the rest of the world should emulate, the role model that had dared to do what even [former British Prime Minister Margaret] Thatcher would not, and was all the better for it."

But there has been created a society with

massive inequality between rich and poor. Elliott points to the irony: "In a brutal sense, the New Zealand experiment was worthwhile. It highlighted the ineffectiveness and risks of policies that deliberately foster inequality. New Zealand has shown the world how not to do it." An accompanying cartoon shows a patient labelled "New Zealand" on an operating table, being reduced to dust and rubble, by the administration of "Economic Shock Treatment."

Space

Approaches Diverge On Moon Colonization

The exploration and colonization of the Moon was the subject of an international conference in Berlin on Jan. 14-16, entitled "New Views of the Moon" and organized by the German space research agency DLR. Unsettled scientific issues were discussed, such as how the Moon was created, and the possible existence of water resources at its South Pole, which would be an enormous advantage for any future lunar manned station.

According to a report in the Jan. 23 German daily *Süddeutsche Zeitung*, two schools of thought on future manned space missions were clearly visible at the conference. On one side, are those scientists and space engineers, typified by the Jet Propulsion Lab in Pasadena, California, who want to go to Mars as quickly as possible, relying on the International Space Station. Because budgets are tight, they are trying to avoid spending anything on colonizing the Moon. On the other side, there are the European Space Agency (ESA) and space agencies of Japan, India, and China, which are putting special emphasis on the Moon as the ideal future basis for all kinds of interplanetary travel. As DLR scientist Ralf Jaumann noted, such travel first requires building up infrastructure on the Moon. A series of scientific Moon projects is already in the pipeline:

In October, ESA will start the SMART-1 mission, which will survey the Moon from orbit, focussing on the detection of water resources.

In 2004, Japan will launch its Lunar-A

satellite, which will land on the Moon and study its physical constitution by measuring tectonic waves.

One year later, the ambitious Selene mission, again by Japan, is supposed to follow. Selene will be a huge scientific orbiter, surveying the Moon with X-ray and gamma-ray spectrometers, at the same time making an altitude map of the Moon surface using lasers, and looking 5 kilometers below the surface using radar systems.

Indonesia

Second Independence Movement vs. IMF Urged

Rizal Ramli, Coordinating Minister for Finance and Economy under the former administration of President Abdurrahman Wahid, called for a second independence movement against the International Monetary Fund (IMF), in an op-ed in the Jan. 21 *Jakarta Post*. "We must prepare ourselves to declare a second independence movement; that is, a movement dedicated to realizing Indonesia's potential as a modern, leading nation in Asia. We must now find the courage to declare our economic independence and make the necessary sacrifices to achieve it," he said.

Ramli compared how the IMF treated Indonesia and Argentina, and pointed out the violence and the deaths that were the direct result of IMF dictates in both countries. The greater level of violence in Indonesia's 1998 riots is due only to the greater poverty in Indonesia, he said, but in both cases, the IMF made a bad situation worse.

Ramli said that he had warned in 1997 that the IMF would act as "a surgeon, not a savior, and cut the limbs from the Indonesian economy, and after the amputation had been carried out, the doctor would present us with a hefty bill for its services." Indeed, in 2001, he said, "Indonesia received \$400 million in loans from the IMF, but had to pay the institution \$2.3 billion" in principal and interest. The debt burden has doubled in four years. It is time to "learn from the Argentina experience and from our own recent history," he said.

JAPANESE shipyards' export contracts were down 54.4% in December year-on-year, the Japan Ship Exporters Association reported on Jan. 22. The figures underlined the impact of the global economic slump on the Japanese economy. The sharp contraction of Japanese ship exports was said to have taken hold in August 2001.

POLISH political activist and author Rudolf Jaworek published a book in late 2001, entitled *Great Achievements of Neo-Liberals: How They Destroyed the Polish Economy*. He presents a few economists whom he considers to be opponents of the currently dominant free-market ideology. One chapter is devoted to Lyndon LaRouche.

PRIME MINISTERS of Cambodia, Laos, and Vietnam met in Hanoi to form a "development triangle." Premiers Hun Sen, Phan Van Khai, and Bounnyang Vorachit, respectively, following up their meeting in 1999 in Laos, want to share electricity, transport, and water in the economically poor, but resource-rich region.

POVERTY in the Philippines is higher today than during the 1997 Asian crisis. Government figures show that 4 in 10 Filipinos live on less than 74¢ per day. In 2000, some 39.4% of the population lived in poverty, up 2.6% over the 1997 figure, the National Statistics Coordination Board's family income and expenditures survey showed. Meanwhile, the government's figures show that 40% of the national budget goes to debt service.

BRITAIN'S Meat and Lifestock Commission said that more than 6 million animals were not included in the official slaughter toll in the hoof and mouth disease epidemic, between the first case on Feb. 20, 2001 and the last case detected on Sept. 30, the Jan. 23 *Daily Telegraph* reported. The Commission says that the true total is more than 10.8 million.

Economics: At The End of a Delusion

by Lyndon H. LaRouche, Jr.

We publish here the Foreword to a Special Report on economic recovery policy from the current depression, and its crucial distinctions from the Great Depression of the 1930s; the Report is to be published by the LaRouche in 2004 Presidential campaign committee.

January 12, 2002

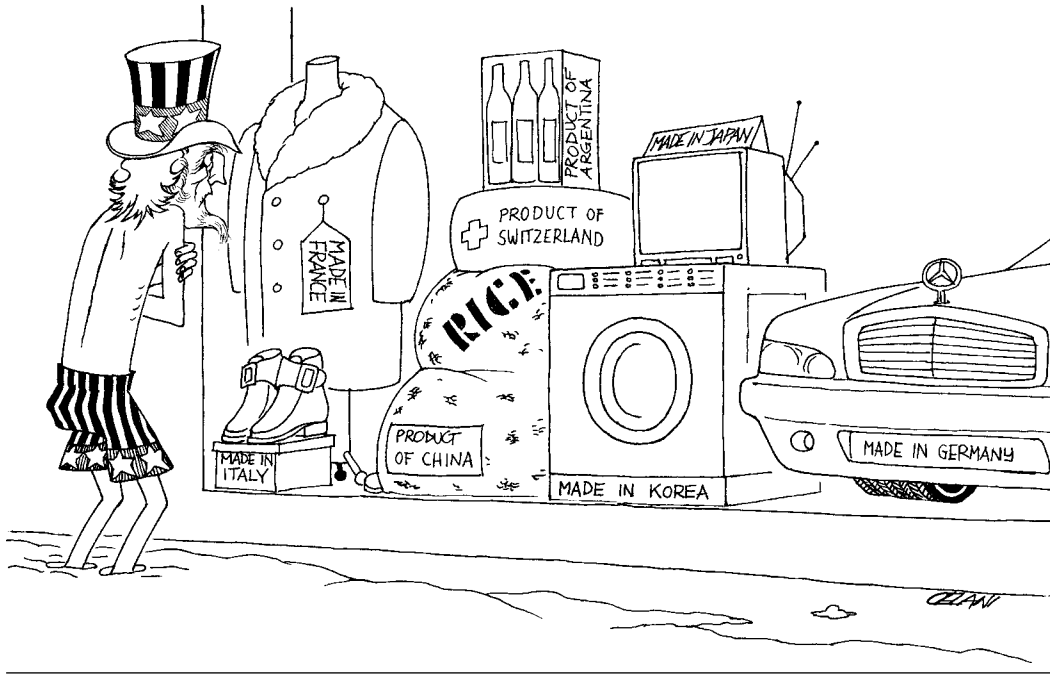
We could recover successfully from the presently deepening world economic depression, *but only if we now choose to do so*. It is Hamlet's challenge again: To be, or not to be. To accept the deadly heritage of our nation's recently habituated folly, or to free ourselves from the deadly shackles of prevailing opinion, that we might ascend to the sublime, and triumph over the fatal error of our recent times.

On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulatively disastrous in their net effect. This is especially clear when the U.S. experience of 1966-2001, is contrasted with the effect of those different policies, which were characteristic of the earlier, 1945-1964 interval of post-war reconstruction.

We must admit, therefore, that, in this matter, as Shakespeare wrote, in another of his tragedies, the fault lies not in our stars, but in ourselves. The fault lies in the wrong-headed, chiefly post-1964 choice of the policies, which have become, during the recent three decades, the prevalent, accepted habits of belief and practice, among both policy-makers and the population generally.

Since the crisis-ridden 1962-1965 years, since approximately the time a post-Kennedy U.S.A. plunged deeply into its war in Indo-China, the world has drifted into a series of radical shifts in prevailing values of that moment,¹ a set of utopian

1. I have outlined the 1962-1965 interval, and its effects, in earlier locations, such as "Zbigniew Brzezinski and September 11," *EIR*, Jan. 11, 2002; and "The Continuing American Revolution," *EIR*, Jan. 18, 2002.



*Federal Reserve
Chairman Alan
Greenspan at a White
House Conference on
the "New Economy,"
April 2000.*

illusions, contrary to any long-term economic reality. However, since these illusions have become the axiomatic, even hysterical standard for setting economic and related policy, this cultural-paradigm-shift has acquired the character of an unfolding mass-delusion.

The economic collapse so induced, is not merely an economic collapse. It is not something the "outside world" has thrust upon us. It is a product of the delusion working from inside the minds of most of the population of the United States itself. What we are experiencing, is not an intrusion by unwanted events. It is a product of what have become our population's widely accepted beliefs. Therefore, what you are suffering today is, taken all together, the experience of living inside the fog end of a popular delusion.

We have, still, even at this late date, the opportunity to survive, but, if that is to occur, two conditions must be met. First, we must make the implied sudden, and radical, changes in the cultural paradigms governing our policy-making. Second, we must do this promptly, without whimpering delays.

Merely typical of the more recent trends of wrong-headedness of official and popular opinion, are the disastrous effects of the 1995-2001 delusion called "the new economy," or the widespread damage done to the economy, and the great and increasing suffering spread among our citizens, by such delusions as belief in "free trade," "deregulation," "shareholder values," "out-sourcing," and "globalization."

Pity the stubborn fellow who says that "we must fix the system," but, like the IMF's Anne Krueger, insists that he will not permit us to act contrary to those infectious delusions which have been, for more than thirty years, the continuing cause of the present crisis. Typical are those who now concede

almost anything else, but insist that we must not depart from the bounds of that present IMF, "floating-exchange-rate" system, which has been, in fact, the chief, continuing cause of the world's onrushing monetary, financial, and economic disaster of the past thirty years! If we were to leave such still prevalent, pathological assumptions as that untouched, no economic recovery of the constitution of the present society would ever become possible.

I do not propose that we should return exactly to the previous, 1933-1945, or 1945-1964 policies. I offer a much more modest, and realistic proposal. We must learn the lesson to be adduced from comparing an earlier success, with a subsequent catastrophe. We must apply that lesson in ways which include discarding the worst of those presently prevailing beliefs which were widely popularized during the recent thirty-five years. We must build upon the recognition of those achievements of that 1933-1964 recovery and growth, which led us out of an earlier economic depression and the after-effects of devastating world war.

But, we must also go beyond those precedents, to add some improvements which were either lacking in the general policies of the 1945-1964 system, or are peculiarly appropriate to the changed circumstances confronting us as a result of recent decades' developments.

What This Report Contains

By the nature of the present world crisis, this report must include programmatic and analytic definitions of the problems and the methods of their solution. However, given the nature of competent knowledge of economics among legislators, economists, and citizens generally, the presentation of

the essential elements of analytical and programmatic materials, must be supplemented by educational materials which are indispensable, if the reader is to achieve competent understanding of both the crucial features of, and solutions for this onrushing, global economic-social catastrophe.

If the reader is patient with me—when I am compelled to turn for a moment to relevant educational material which may, at some points, annoy him—we may hope that history will repay his or her courtesy to me, with the kindness of the benefit he or she will therefore receive from times to come.

The current stage of the world depression can be compared to a fire in a crowded theater. The economy in which you are seated, is that theater. Do not panic, but, rather, prepare to move, as I shall direct you, to the exits—that, in an orderly fashion, at a steady pace.

This present report, taken as a whole, includes contributions by *EIR* economics specialists Richard Freeman, John Hoefle, and other contributors; particularly their study of some of the presently most relevant features of the successful measures of economic recovery from a general depression, which were taken under the leadership of President Franklin D. Roosevelt. A review of crucial features of the Franklin Roosevelt approach to recovery, is being supplied by those specialists.

In my part in this report, my assigned focus is limited, as much as is allowable, to those other, presently most crucial, issues of scientific method, which were either not included in that President's approach, or are changes which have not been taken into account until now.

My part features certain key excerpts from among my original contributions to economics, excerpts which not only make it possible to explain the roots of the Franklin Roosevelt reform's success from a scientific standpoint, but which also identify those features which must be added to our present monetary, financial, social, and economic policies, if we are to bring a successful economic recovery into motion, under the specific circumstances of the present crisis.

Meanwhile, it is most important for the reader, that I emphasize that which recent developments have demonstrated, and that in the most dramatic way. My qualifications for speaking with such a tone of authority on these matters, are outstanding in the world today. What I have proposed are bold, sudden, but indispensable measures; therefore, they must tend to meet stiff resistance, unless the depth and extent of my authority in such matters were clearly stated. Therefore,

I must emphasize, that more than thirty years of my consistently successful long-range forecasting, has settled factually the crucial questions of the dispute between me and my opponents. The experiment has been conducted, over nearly two generations, and the results are conclusive, in my favor.

For related reasons, my part in this report must include emphasis upon certain notable elements of analytical method, which are uniquely the fruit of original discoveries made by me in the specialized field of the Leibnizian science of physical economy.² The combination of the present world crisis, and the changes in the physical-economic conditions of the planet during the recent half-century, present the world with problems whose significance had been overlooked in earlier times. My own special contributions to the science of physical economy, are therefore an integral part of the new subject-matters which must be included within our nation's economic-policy deliberations.

Worse Than 1930s Great Depression

For example. For reasons to be considered in the course of my account, consider the following.

At the present time of accelerating world crisis, the reshaping of the interacting, but distinct factors in our national monetary, financial, and economic policies, must go beyond what was done in organizing earlier recoveries of our national economy. Typical among the causes for the difference between the earlier and present world depression, are the following.

As I have emphasized in earlier locations, when the preceding world depression struck with global force, during 1929-1933, about a dozen years (less than a generation) had passed since the massive build-up, during the 1861-1917 interval, of European civilization's physical-economic growth of productivity, military power, and other technological advances.

Today, nearly thirty-five years have passed (nearly two generations) since the willful destruction of the per-capita physical-productive power of civilization began, a destruction typified, at the beginning, by the savagery wreaked upon the United Kingdom's economy by the first Harold Wilson government. The challenge today, is therefore of qualitatively greater relative magnitude and complexity than that confronting Franklin Roosevelt during the 1930s.

2. The science of physical economy was originally developed by Gottfried Leibniz through a series of original discoveries of universal physical principle which he introduced during the interval 1671-1716. My intensive adolescent studies in Seventeenth- and Eighteenth-Century philosophy, made me a disciple of that great man's work, which led me, more than a decade later, into my own original, additional contributions to that field. Notably, the American System of political-economy, as associated with the work of Benjamin Franklin, Alexander Hamilton, the Careys, and Friedrich List, were largely products of the impact of Leibniz's work on those minds, each in his own time. The American System of political-economy has nothing in common with the teachings of John Locke and Adam Smith, but is directly opposed to both, on grounds of fundamental opposition respecting scientific principle.



Organizing in Chicago, December 2001; and what was once a General Motors factory in Danville, Illinois.

Apart from Harold Wilson's almost Luddite wrecking of the British economy, the principal other initial damage to the 1945-1964 recovery of the U.S. and world economies, was introduced by Richard M. Nixon, beginning with the impact on national policy of his 1966-1968 campaign for the Presidency. Nixon's later decision of August 1971, wrecking the original Bretton Woods system, and putting the world under the ruinous lunacy of a floating-exchange-rate dictatorship, is crucial. His launching of the present, floating-exchange-rate monetary system, then, built into the present world monetary-financial system those axiomatic features which foredoomed it to collapse, unless those changes had been reversed.

The worst damage done to the U.S. economy itself, even worse than by the Henry A. Kissinger-controlled Nixon's follies themselves, was set into accelerating motion under the Zbigniew Brzezinski-controlled 1977-1981 U.S. Carter Administration. The latter administration, following the script which Britain's H.G. Wells had presented in his 1928 *The Open Conspiracy*,³ willfully wrecked the largest ration of the physical and financial infrastructure upon which both the U.S. economic recovery from the 1930 depression, and the post-war growth had depended.

The world monetary-financial system is now hopelessly doomed. It can not be reformed; it can only be replaced, by

returning to something like the original Bretton Woods system of the 1945-1958 interval. During the entire period, especially during the period since Alan Greenspan's predecessor Paul Volcker introduced the present policies of "controlled disintegration of the economy" into the Federal Reserve System,⁴ the 1979-2002 addition of this set of axioms into the world monetary-financial system, by Volcker, turned monetary and financial policy into an engine for destroying the real economy. This was accelerated under Presidents Nixon, George H.W. Bush, and William Clinton, beginning with two notable pieces of 1982 legislation: Garn-St Germain, and Kemp-Roth. The real economy has been accelerating downhill ever since (**Figures 1a** and **1b**).⁵

4. Fred Hirsch, former editor of the London *Economist*, writing in *Alternatives to Monetary Disorder* (New York: Council on Foreign Relations, 1977), affirmed that "controlled disintegration in the world economy is a legitimate object for the 1980s." Paul Volcker delivered the Fred Hirsch Memorial Lecture at Warwick University in Leeds, U.K., in November 1978, and began his speech by citing Hirsch's dictum on controlled disintegration. Campaigning as a U.S. Democratic Presidential pre-candidate, in New Hampshire, on Oct. 16, 1979, I denounced Volcker's October 1979 actions (published in *EIR*, Oct. 23-29, 1979). The Carter Administration's demolition of the U.S. economy was pre-designed by the New York Council on Foreign Relations' 1975-1976 *Project for the 1980s* (New York: Magraw-Hill, 1977), a project co-supervised by Carter National Security Advisor Zbigniew Brzezinski and Secretary of State Cyrus Vance.

5. The combined Nixon and Carter Administrations set into motion a set of relations among monetary, financial, and economic processes, which I have illustrated by the pedagogical chart 1a: *The Triple Curve*, or "typical collapse

3. H.G. Wells, *The Open Conspiracy* (London: Victor Gollancz, 1928).

FIGURE 1a

A Typical Collapse Function

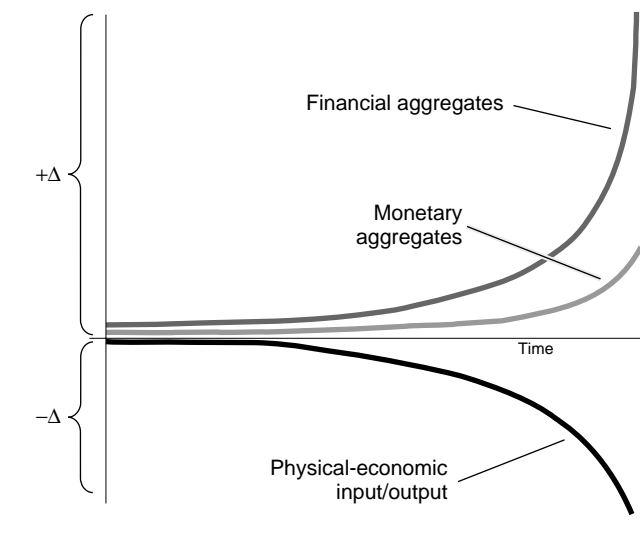
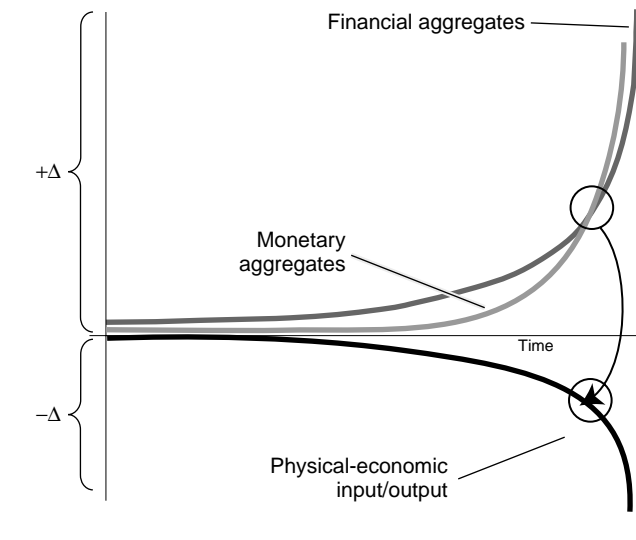


FIGURE 1b

The Collapse Reaches A Critical Point Of Instability



The impact of this long wave of post-1964 destruction of the physical economy of the U.S.A. and much of the world besides, has not only introduced policy-making problems of great magnitude. Also, as I shall indicate, the measures which must be taken, to ensure a durably successful economic recovery, will take the world into new categories of activity, including new approaches to managing the biosphere. These two, respectively quantitative and qualitative considerations, point toward problems of a type which might have been safely overlooked during earlier periods of successful economic growth. It is the urgency of these new policy-making problems, which most clearly defines my contributions to the practice of economic-policy-shaping as indispensable at this time.

I recast that just stated, crucial point, as follows:

Some of the new problems to be considered here and now, involve recently emerging strategic factors, and also strategic

function.” Speculative gains in financial markets are sustained by diverting monetary flows out of the real economy, into financial markets. This is sustained, increasingly, by looting the economic basis through large-scale attrition in basic economic infrastructure, and by driving down the net after-inflation prices paid for wages and production of operatives. Thus, we have a “hyperbolic” curve, upward, of financial aggregates; a slower, but also hyperbolic curve, upward, of monetary aggregate needed to sustain the financial bubble; and, an accelerating, downward, curve in net per-capita real output. This reflects the accelerated looting of the base (e.g., Garn-St Germain, Kemp-Roth), to sustain the financial bubble.

During no later than 1970, the amount of added monetary aggregate reached the kind of cross-over point (Figure 1b) which set into motion the Weimar Germany hyperinflationary explosion of June-November 1923. When such a cross-over point is reached, the system is doomed to an early end, a threatened breakdown-crisis. At that point, the system must be overhauled in bankruptcy, most of the financial aggregate wiped from the accounts, and a new system supplied to give the economy itself a fresh start.

opportunities, which had not existed, at least not immediately, over the earlier course of the history of the world since 1776-1789. These new conditions of combined threats and opportunities, have become functionally unignorable under present circumstances. That is where my original discoveries in the field perform an essential role.

Moving Safely to the Exits

The current stage of the world depression can be compared to a fire in the crowded theater. The economy in which you are seated, is that theater. Do not panic, but, rather, prepare to move, as I shall direct you, to the exits—that, in an orderly fashion, at a steady pace. First, as if to calm the nerves of the panicked fellow standing next to you, I must remind both of you, briefly, of my authority for dealing with crises of this specific type. “The doctor who specializes in such diseases, is,” so to speak, “here.”

To seek to calm the nerves of excitable fellows, I situate the discussion against the background of certain relevant, crucial patterns in developments over the period since the election-crisis of Nov. 7, 2000.

During the interval from U.S. Election Day, Nov. 7, 2000, through Jan. 15, 2001, I issued a series of forecasts, identifying both the issues of that election-crisis, and the expected character of certain crucial developments which would unfold during the first twelve months of the next President’s term. During that period, reports documenting those economic and political forecasts appeared in such readily available website and other locations as that of the weekly *Executive Intelligence Review*, and publications of my campaign for the Year

2000 U.S. Presidential nomination.⁶

Today, none of those recent forecasts, nor my earlier, documented long-range forecasts, dating back thirty-five years,⁷ have ever been refuted by subsequent events.

A year later—November 2000-January 2001, through November 2001-January 2002—the majority of the same set of forecasters opposed to me then, are still echoed by most of the establishment mass-mediaocracy, repeating today the same kind of foolish propaganda they were emitting a year earlier, with but one curious point of emphasis added. Earlier, that crowd had promised an early rebound of a shaky economy's financial and monetary markets; a year later, approximately the same crowd of forecasters is gushing out similarly dubious sophistries: But, the wildly hysterical mercenaries of Wall Street have added their non-sequitur. They have argued, that since the markets have taken a terrible beating over the course of the past year, now the markets have no room to maneuver; they have no way to go but up. These spinners conclude: the markets will surely go up, more or less spontaneously. With a gloat in their eye, they predict, either, that the upward bounce must come some time later this year, or, perhaps, the next.

Those who recall the 1930s, will be reminded of the 1929-1933 world depression, when, during the Hoover re-election-campaign of 1932, the Republicans and most Wall Street survivors promised the voters, "recovery is just around the corner."

Now, today, the "new economy" has collapsed, Enron is a shambles, the role of the U.S. economy as the "importer of

6. For the text of these economic and political forecasts, see the following issues of *EIR*: Dec. 1, Dec. 15, Dec. 22, 2000; and Jan. 12, Jan. 19, Jan. 26, Feb. 16, and Feb. 23, 2001. *EIR*'s website address is <http://www.larouche-pub.com>; the Presidential campaign site is www.larouchein2004.org. Most relevant for the topics being presented above, are the following items presented in *EIR*: "LaRouche Addresses Washington, D.C. Conference," (Nov. 14, 2000) on the subject of the implications of the Nov. 7 Presidential-election crisis (also webcast worldwide); my Dec. 1, 2000 "The U.S. Strategic Interest in Russia" (*EIR*, Dec. 15); LaRouche addresses a Dec. 12 Washington, D.C. seminar, "Presidential Election Campaign 2000: 'The Fall of Ozymandias'" (also webcast worldwide); LaRouche issues his "The Demise of an Importer of Last Resort" (*EIR*, Dec. 23, 2000 and Jan. 19, 2001); LaRouche addresses a Jan. 3 Washington, D.C. seminar (also webcast worldwide), and issues his Jan. 4, 2001 announcement of his official Presidential pre-candidacy for the year 2004 (*EIR*, Jan. 12, 2001); "We Told You So: The LaRouche Record of Economic Forecasts, Fall 1999-Election 2000" (*EIR*, Feb. 9, 2001); LaRouche statement of Feb. 4 "On the California Energy Crisis: As Seen and Said by the Salton Sea" (*EIR*, Feb. 16, 2001); LaRouche Jan. 15 address, "The New Bretton Woods System: Framework for a New, Just World Economic Order" (*EIR*, Feb. 23, 2001).

7. In my conventions, a "short-term" cycle is one year; "medium-term" signifies three to seven years; "long-term" signifies a period of approximately eight to twenty-five years, or more. All my basic forecasting, since 1959-1960, has been long-term. My occasional forecasts of probable conditions to be reached within the short- to medium-term period ahead, have always been based upon a forecast for a long-term cycle. The reasons for those kinds of distinctions and forecasting practice, will be indicated within the body of this report.

last resort" for most of the world, has already collapsed, and will collapse much more. Unemployment zooms, as the increase in the number of employers going bankrupt, or hovering at the edge, also zooms. As governments turn to a next round of budget-cutting, they are shocked to discover that the loss of tax-revenue caused by the cuts, necessarily exceeds the amount cut from government expenditures. A sense of desperation spreads throughout the Americas, western Europe, Japan, Korea, and elsewhere.

All in all, this will look to some like a new world economic depression, like that of 1929-1933. In fact, it is much worse than was experienced in such places as the U.S.A., Canada, or Europe during the 1930s. Presently, if we put the special cases of Russia, China, and India to one side for the moment, most of the world has clearly entered the beginning-phase of what some early Twentieth-Century economists discussed under the academic heading of an hypothetical *general breakdown-crisis*.

Quantitative and Qualitative Recovery Measures

When compared to today's crisis, the depression of the 1930s seems relatively a problem of more sharply reduced quantity of economic activity. It would appear to those earlier economists, that, as in the case of a depression like that of the

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1930s, recovery could now be effected by reversing trends in generation and flows of credit into investments in increased quantities of existing categories of physical output. Those opinions are far too optimistic. The present crisis, is essentially qualitative. In the case of the present collapse of the world's monetary-financial system, the distinction between "quantitative" and "qualitative," is crucial.

In the first, simpler case, a quantitative solution for an economy may be more or less adequate, if putting the combination of bankruptcy-reorganization of the monetary-financial system, combined with addition of protectionist measures, could utilize state-created credit to bring the reorganized economy up to a breakeven level, merely through reactivating existing productive and related physical-economic capacity.

In the second case, the combination of monetary-financial reorganization and credit-expansion, does not rise to a sufficient level of combined active and idled physical-productive capacity to reach a breakeven level of real turnover. No solution is available within the limits of existing categories of such investment, without radical structural changes in the composition of categories of investment and production.

A glance at the difference between the first, pre-war phase of the U.S. recovery measures of the 1930s, and the war-mobilization phase, helps to clarify the meaning of a distinction between a quantitative and qualitative form of economic depression. The examination of those successive intervals affords a first approximation of the distinction between quantitative and qualitative cases.

Even into the war-mobilization phase, which began in the United States even prior to the Nazi invasion of Poland, the U.S. economy was still using up significant rations of inventories of semi-finished goods dating from prior to October 1939. Even during that period, large-scale public works programs of more or less qualitative significance, such as the TVA program, did build up the base on which the later, relatively explosive war-time economic expansion was based. Indeed the war-time mobilization would not have been possible without such public works and related investment.

The explosive growth in the economic-recovery program was a characteristic of the shift of U.S. economic-policy priorities to a national "arsenal of democracy" mission-orientation. For those of us who were adults during the 1940s and 1950s, the most accessible "marker" of this "arsenal of democracy" phase, was the U.S. government's production and continued ownership of a vast inventory of machine-tools, which were, in large part, leased to private contractors as part of the package for military and related production. The early super-achievement of President Roosevelt's pre-announced targets for levels of production of military aircraft, is typical of the phenomena.

It was the combination of infrastructure build-up, heavy rations of capital-intensive production investment, and not



A migrant worker, mother of seven children, in California during the Great Depression.

only a massive decrease in unemployment, but an accelerating up-shift in technological categories of employment, which characterized the qualitative transformation of the U.S. economy, upward, over the 1939-1945 interval, even under the condition that about 16 millions of us were drawn out of the labor-force for military service.

I shall return to examine this matter of qualitative recovery-measures in more precise terms, at an appropriate, later point in this report. At the present moment, my point is to illustrate the distinction between merely quantitative and qualitative recovery-measures; and that, with the relatively most accessible choice of real-life clinical case.

Today, a general, qualitative breakdown-crisis is already darkening the horizon. To illustrate the nature of that challenge, I list a number of typical actions to be taken to halt the depression and launch a self-sustainable recovery.

1. We must a.) put the international monetary-financial system into immediate, governments-dictated reorganization; b.) restore a fixed-exchange-rate system; c.) establish exchange, capital, financial controls, trade controls, and fair-trade forms of protectionist



An up-shift in technological categories of employment characterized the qualitative transformation of the U.S. economy over the 1939-1945 interval, as economic priorities were directed to a national “arsenal of democracy” mission orientation. Here, a woman welder works on construction of the USS George Washington Carver, launched on May 7, 1943.

measures internally and externally; d.) increase drastically rates of taxation on financial capital gains, and substitute production- and technology-oriented medium- to long-term investment tax credits to entrepreneurs; e.) generate large masses of government-created credit at rates between 1-2% for, chiefly, a combination of entrepreneurial investment production and infrastructure investment; and f.) implement a general bank-reorganization program, which keeps needed banks performing essential functions for the community while under even drastic financial reorganization.

2. We replace “free trade” with the promotion of protected hard-commodity international trade, as part of the promotion of a global, long-term economic-recovery effort.
3. We must introduce the economic equivalent of a high-technology-oriented “arsenal of democracy” recovery program, both in the domestic economy and in world trade, to provide the qualitative dimension needed to reverse the monstrous loss of technologically progressive, physical-productive capacity and potential—a loss which has accumulated in the world as a whole during the recent thirty years, especially the recent quarter-century.

We had better take such measures, to stop that process of collapse before it hits with irresistible, crushing force.

With the guidance and backing of the world’s leading economist of that time, Henry C. Carey, President Abraham Lincoln made possible the U.S. economic miracle of 1861-1876, as Franklin Roosevelt, at a later point, saved the U.S.A. Under the impact of Roosevelt’s intervention, the U.S.A., and the world, avoided the risk of a slide into an actual breakdown-crisis.

Nonetheless, as I have already indicated above, I say again, that there are certain crucial points of difference between the challenge of organizing an economic recovery under conditions of today’s threatened breakdown crisis, and the challenge of the world depression successfully met by incoming President Franklin Roosevelt. I shall deal with the most typical such new challenges, in my section of this report.

By this means, by introducing science to replace the forms of mysticism which have become popular among most U.S. academic economists and their dupes, we aim to free the people of the U.S.A., and other nations, from the deadly grip of that delusion which has brought those dupes, like fabled lemmings, to the brink of catastrophe. Whether we purge our nation’s policy-shaping of those popularized follies, or the nation destroys itself by clinging to those follies, we may safely forecast the end of a delusion, either way: by ridding the victims of their fatal follies of belief; or, by witnessing the institutions eliminating the carriers of those delusions, themselves.

The ball is in your corner.

Israeli Warsaw Ghetto Methods: U.S., Europe Are Accountable

by Paul Gallagher

Repeated public warnings by U.S. Presidential pre-candidate Lyndon LaRouche against “the insane fascism of Ariel Sharon,” were terribly confirmed by an Israeli officer’s report to the daily *Ha’aretz* on Jan. 25: The Israeli Defense Forces (IDF) have been studying the 1943 military tactics of the Nazi SS against the Jewish resistance in the Warsaw Ghetto, for application against the Palestinians of the West Bank and Gaza today.

LaRouche, in response, emphasized that the revealed *intention* of the IDF and Israeli Prime Minister Sharon, to adopt specifically Nazi methods of war against a resisting population, must be brought to the doorstep of the European governments and especially the U.S. Bush Administration. The White House has increasingly given a green light to Sharon’s campaign to assassinate and eliminate the Palestinian leader-

ship in past weeks. LaRouche will throw his authority on this matter—established by his precise warnings since Sharon first made his move for power in September 2000—into the drive to hold the U.S. and European governments accountable for the consequences. “The United States *has* the leverage to stop this,” LaRouche said.

No Denying Reality

The anonymous IDF officer’s shocking confession was reported in a Jan. 25 article by veteran *Ha’aretz* reporter Amir Oren, on Sharon’s moves toward eliminating Yasser Arafat and the Palestinian Authority. The article appeared in the English-language edition of *Ha’aretz* two days later. White House spokesman Ari Fleischer, on Jan. 27, heatedly refused to answer *EIR*’s questions on it, saying that he “does not

Götterdämmerung In Palestine

by Lyndon H. LaRouche, Jr.

January 30, 2002

Someone must stick his neck out, to bring this raging Middle East horror to a close. At the present moment, the Israeli efforts to eradicate the Palestinians, are the principal detonator for a potential, worldwide, continuing religious and ethnic warfare; a war from which no nation, no person can be safe.

For various reasons, at the present moment, I am elected to say publicly what must be said, loud and clear, if an ongoing, monstrous crime against humanity is to be stopped, as it was not stopped in the comparable case of the Warsaw Ghetto.

Current operations by the Israeli Defense Forces within the territory of the Palestinian Authority, are as exact a copy as history might ever find, of the Nazi operations of April 19-May 16, 1943 against the Jewish Warsaw Ghetto. The facts of the matter are already clear. All that remained to be settled, until now, was whether or not solid proof existed, that the relevant Israeli officials were fully aware of the awesome similarity of their current actions to the events as described in the famous Nuremberg Trial documentation, the “Stroop Report.”

According to the documentation referenced here, the



Are the Israeli Defense Forces studying the deportation and liquidation tactics in the 1943 Warsaw Ghetto, of Nazi Maj. Gen. Jürgen Stroop (third from left)? Ariel Sharon's spokesman hardly bothers to deny it.

respond to reports with no names attached.” But Sharon’s own press spokesman, Ra’anan Gissen, was unblushing. Asked by *EIR* on Jan. 30 about IDF officers studying the Nazi Warsaw Ghetto strategy, Gissen replied, “Some officers may have been looking at that. They thought that it was similar, because you would be fighting street-by-street against the Palestinian Authority.”

“The real problem,” Gissen claimed, in answer to a second question, “is those who refuse to serve.” A movement has begun among Israeli reservists, resisting the IDF’s strategy. “They may have to face a court-martial. They will have to face the consequences, if they do not serve when they are called up; that is the real problem.”

The European Union, on Jan. 28, did issue a statement including the demand that “the Israeli government must withdraw its military forces and stop its extrajudicial executions, lift the closures and all restrictions imposed on the Palestinian people and its leadership, and freeze [Israeli] settlements [in the Occupied Territories].” The EU also protested Israel’s deliberate “destruction of Palestinian infrastructure and other facilities which help Palestinians in their economic, social, and humanitarian development”—such destruction was a hallmark of the Nazi SS liquidation of the Warsaw Ghetto and other populations.

But this is a pale reflection of the action the United States must take—similar to President Dwight Eisenhower’s strong

Stroop Report was originally issued by the Nazi Major-General Stroop of police, who was acting as commander of those operations against the Warsaw Ghetto. According to the documentation supplied, the original report was “a 75-page, day-by-day account of the operation, prepared for Himmler, and first displayed by [then U.S. Nuremberg prosecutor Robert] Jackson. It was entitled ‘The Warsaw Ghetto Is No More!’ [‘*Es gibt keinen jüdische Wohnbezirk in Warschau mehr!*’].” The special version of that report to which I refer, is to be found in the Mazal Library and Holocaust History Report, available through www.holocaust-history.org/works/stroop-report.

The relevant connections between act and intention, were brought to my attention through a report, entitled “At the Gates of Yassergrad,” filed by Amir Oren in the Jan. 27 English edition of the Israeli newspaper *Ha’aretz*.

From evidence which confirms the essential message of that *Ha’aretz* account, including the current circulation of the referenced Stroop Report, there is no doubt that the Israeli Defense Forces command’s current actions, express those officials’ intention to replicate upon the Palestinian territory effects essentially similar to the April 19-May 16, 1943 extermination operations against the Warsaw Ghetto. Essentially, only the names of the victims have changed.

This *Ha’aretz* report is extremely significant in itself. It reflects a growing expression of the horror sensed by all sane Israelis, of whatever party, at the prospect that Israel might continue the kinds of crimes being conducted under the umbrella of the Ariel Sharon government. Despite Sharon and the present IDF command, the Jewish tradition

(continued next page)

moves in 1956 which forced Israel to withdraw from its invasion of Egypt (see article in this section). That strong pressure will have to be backed up with serious financing for an economic development strategy for peace in the region.

‘Jewish Resistance’ in Israel

Within Israel, a backlash against “becoming fascists” had already begun to rise before Jan. 25—even after the Sharon government’s success over the past year in making the Israeli public increasingly hysterical against the Palestinian leadership and the Oslo peace process. Close to 100 Israeli military reservists (as of Jan. 30) have signed a public statement declaring, “We will no longer fight beyond the Green Line for the purpose of occupying, deporting, destroying, blockading, killing, starving, and humiliating an entire people.” The reservists want to get 500 behind the statement and launch a broad social campaign.

Israeli Knesset (parliament) member Roman Bronfman has formed a new Democratic Choice party in an effort “that will prevent Israel from deteriorating into a state of ordinary fascism,” he told *Ha’aretz* on Jan. 28. Bronfman wants to push Labor Party leaders, such as Knesset Speaker Avraham Burg, Labor Party leader Yossi Beilin, and Deputy Defense Minister Dalia Rabin Pelosof, to pull the Labor Party out of Sharon’s national unity government. All three have themselves made dramatic statements about the consequences of Sharon’s policies.

Well-known Israeli journalist Gideon Levy issued an open letter to Foreign Minister Shimon Peres, a Labor Party leader, demanding that he leave the government and pull down Sharon’s coalition. It has been reported that in cabinet

meetings during January, Peres warned other cabinet members that Israel was committing acts for which they might wind up being prosecuted as war criminals. “A government,” says Levy’s letter, “that deliberately sabotages every Palestinian effort to achieve quiet, that utterly humiliates their leaders, for whom vengeance is the sole motivating force . . . can no longer be forgiven.”

LaRouche, since June 2001, has repeatedly reminded Israelis that they cannot win a war fought on fascist principles, in the midst of a global economic collapse which is wrecking Israel’s economy as well. The kind of continually spreading religious war which is the fruit of such actual war crimes, will in time destroy Israel itself, LaRouche has warned.

More Israeli civilians and soldiers have been killed since Sharon took power in January 2001 than in the entire preceding six years of the Oslo peace process which he denounces. Car-bombing and suicide-bombing civilian casualties now occur almost daily. Sharon himself is facing a trial in Belgium, in which he will be charged with having committed war crimes as Defense Minister in 1982, in connection with the mass slaughter of Palestinians in the refugee camps of Sabra and Chatila, during the Lebanese Civil War.

In this darkening situation, a “Jewish resistance to fascism” is beginning to arise in Israel itself!

The Warsaw Ghetto Model

The horror of the IDF studying use of those military methods, by which the Israelis’ ancestors were annihilated in Warsaw, sinks in deeper when one looks at the source they must have consulted. Nazi Major General of Police Jürgen Stroop, who commanded that annihilation, recorded and left

(continued from previous page)

is not yet dead in Israel itself.

In such a situation, it would be immoral to take such pathways of discretion as to follow the practice of the typically American common gossip, whose disgusting pretenses at morality would take the form of slyly circulating the rumor that the IDF has expressed such an ongoing intention. Someone must stand up and speak clearly in his own name, saying, “I accuse!,” pointing directly at the crime and the criminality at issue. Apparently, so far, the present government of the U.S.A. will not. Apparently, so far, no official spokesmen for either of the two major U.S. political parties will say, “I accuse.” Therefore, I must take on that chore.

On Background

We must be clear on this matter. The core of the intention by those circles of the IDF to perpetrate such a crime against humanity, is not an Israeli phenomenon as such.

We must recognize that the wildest of the utopian military and other strategic circles in the U.S.A., as typified by the co-thinkers of Zbigniew Brzezinski and Samuel P. Huntington, are, in point of fact, professed universal fascists, whose notions of military policy and affairs are modelled, most immediately, on the precedent of the Nazi Waffens-SS.

However, we must not put the blame on the now safely defunct Waffens-SS itself. As I have stressed in relevant other locations, all modern fascism and its impact in shaping military policy, is modelled upon the characteristics of the regime of the Emperor Napoleon Bonaparte and his nephew. As I have documented this point in earlier locations, the original model for fascism, is to be found exactly where Napoleon and his imitators Benito Mussolini and Adolf Hitler placed them, in the legacy of the Caesars and the Roman legions.

The Roman Praetorian Guard is, together with the model of the Waffens-SS, at the core of Huntington’s notorious version of the doctrine whose precise technical name

behind a detailed, day-by-day, almost hour-by-hour account of his strategy and actions during those terrible 28 days in April-May 1943.

In *The Stroop Report: "The Warsaw Ghetto Is No More!*," the psychotic Nazi general describes how his troops liquidated or deported a population of more than 60,000 remaining Warsaw Jews who were conducting an increasing armed resistance; 300,000 other Jews had already been deported to concentration camps from Warsaw. Many among the remaining 60,000 worked in, or managed, arms factories in the Ghetto, which were supplying the German army. Thus they could arm themselves; and for the same reason, the German regular army resisted orders from Berlin to deport them.

Heinrich Himmler sent Stroop to Warsaw to solve this "problem" with SS and Nazi police forces. In all his pronouncements and orders, Stroop referred to all Jews as "the armed enemy bandits and terrorists," and portrayed his units as being in heroic and dangerous warfare against this armed enemy.

Stroop progressively walled and fenced off the Ghetto, and began a strategy of destroying it, residential block by block. The Nazi troops burned and/or blew up apartment buildings and shops; as Jews were forced out of them, resistance fighters were assassinated and the rest immediately deported to camps. Resistance from a building, was sufficient to have the entire block destroyed and burned, cellars pumped full of poison gas. Electrical and other infrastructure was systematically destroyed by Stroop's forces; sewers where Jews were hiding were walled and flooded or filled with gas. Stroop saved for last, the ceremonial dynamiting of the Warsaw main

synagogue on May 16, 1943: his signal that all the remaining Jews had been killed or "removed."

The same methods were used again in 1944 against non-Jewish Polish resistance fighters in Warsaw.

Nuremberg War Crimes Evidence

This all chillingly brings to mind the 100 Israeli reservists' declaration, quoted above, of what they refuse to take part in any longer. It throws light on the strategy of walling off the Palestinian area and expelling all Palestinians from Israeli areas, put forward by Sharon backer Samuel Bronfman, and reportedly now under discussion by security officials of Sharon's government.

If it is the Warsaw Ghetto "war" the IDF is studying, *The Stroop Report* is that source. The crazed Nazi general had his report bound in leather, illustrated, and presented formally to Himmler as a gift. It was later "presented" in a different sense, to U.S. Nuremberg Tribunal prosecutor Robert Jackson, who first made it public. At Nuremberg in 1946 this report—now apparently a tactical tool somewhere within the Israeli Defense Forces—was introduced as prime evidence of the worst war crimes.

Stroop was captured in 1945 by the Soviet Red Army, underwent a personality disintegration during his brief imprisonment, was tried for war crimes, and executed.

The entire *Stroop Report* was republished in book form in 1998—as a warning to today's nations—by the Holocaust History Project, and has been translated into English in full on its website since 1999. On Lyndon LaRouche's authority, this warning has now become a crucial matter of national morality, and war and peace.

is "universal fascism."

There must be no sloppiness in our definitions of fascism. There are, admittedly, echoes of this same Roman imperial military tradition in the Spanish Inquisition, including that removal of the Jews from Spain which prefigured the case of both the Warsaw Ghetto, and the similar present operations against the Palestinians. However, the modern fascism of the Napoleons, Mussolini, Mussolini's confederate Vladimir Jabotinsky, and Adolf Hitler, and of the circles of the H. Smith Richardson Foundation's co-thinkers and lackeys, are a distinct quality of phenomena. Their leading expression in the U.S. today is found among circles associated with the Romantic, utopian military and related strategic doctrines and allies of Zbigniew Brzezinski, Samuel P. Huntington, and the late Professor William Yandell Elliott's Nashville Agrarians.

The behavior of the IDF does reflect nominally Jewish fascist traditions such as those of Vladimir Jabotinsky; however, these traditions would never have reached the degree of military and related operations seen today, were

such Israelis and their fellow-travellers not being used by powerful backers of current utopian fads, such as those fascist dogmas of Brzezinski and Huntington, within the Americas and Europe. The Middle East is being used as the detonator of an endless, worldwide religious and ethnic war; but the bomb attached to that detonator, resides chiefly inside the Anglo-American domain itself. If our dirty nest, inside the English-speaking world, is cleaned out, the danger from the Middle East could be controlled.

If this Middle East detonator explodes in the way it threatens to do, given the fact that the world as a whole is now seized by the terminal phase of a global monetary-financial collapse, you, personally, sitting inside the U.S.A., will not have a prayer of living out this crisis safely.

Join me! Stop this horror being unleashed by the Sharon government, while that horror could still be prevented. Confront the world with the clear evidence of the horrid intention behind the crimes of the Ariel Sharon government.

1956 Suez Crisis: When U.S. Did the Right Thing

by Edward Spannaus

In light of the enormous pressures on the Bush Administration to back the fascist policies of the Sharon government in Israel today, it is worthwhile recalling what happened during the 1956 Suez Crisis, when the United States refused to back the plot by Britain, France, and Israel to seize the Suez Canal and overthrow Egyptian President Gamal Abdul Nasser.

When Nasser nationalized the Suez Canal in July 1956—an action which was unquestionably legal—the British and the French began plotting with Israel, for the British and French to seize the canal, and Israel to seize the Sinai peninsula. In October, Israel launched raids into Gaza, and in the West Bank on the border with Jordan. President Dwight Eisenhower believed that Israeli Premier David Ben-Gurion assumed that the November 1956 Presidential elections would hamstring him, but he sent a message that “Ben-Gurion should not make any grave mistake based upon his belief that winning a domestic election is as important to us as preserving and protecting the peace.”*

Eisenhower thought that if the Israelis kept going, “I may have to use force to stop them. . . . Then I’d lose the election.” But he told Secretary of State John Foster Dulles: “I will not under any circumstances permit the fact of the forthcoming elections to influence my judgment. If any votes are lost as a result of this attitude, that is a situation which we will have to confront, but any other attitude will not permit us to live with our conscience.”¹

When Israel ordered a general troop mobilization in late October, Eisenhower was still expecting the Israelis to strike Jordan. “I just can’t figure out what the Israelis think they’re up to,” he said to an aide. “Maybe they’re thinking they just *can’t* survive without more land. . . . But I don’t see how they can survive without coming to some honorable and peaceful terms with the whole Arab world that surrounds them.” As to the French, Eisenhower believed that they were egging on the Israelis, because of their colonial problems in North Africa.

In fact, what the Israelis did, on Oct. 28, was to attack Egypt; at that point, Eisenhower realized that the British and the French had been lying to him, and were conspiring with Israel to retake the canal. The British expected that, when push came to shove, the United States would have to back them. But Eisenhower, who reportedly viewed the British

actions as reeking of 19th-Century colonialism, refused, and he was determined not to let the plot succeed.

‘An Unworthy and Unreliable Ally’

Even if it cost him the election, Eisenhower said, he was bound by the 1950 Tripartite Declaration (of the United States, the U.K., and France) to maintain the status quo in the Middle East, and to support a victim of aggression—in this case, Egypt. When Eisenhower got word on Oct. 30 that British and French landings in Suez were imminent, according to minutes of a meeting with top advisers, “He wondered if the hand of Churchill might not be behind this—inasmuch as this action is in the mid-Victorian style.” Although Eisenhower was not particularly anti-British, at this point he denounced them as “an unworthy and unreliable ally.”

Because of the British and French veto in the UN Security Council, the United States announced that it would introduce a resolution in the UN General Assembly (where the “Permanent Five” had no veto power) calling for a cease-fire, for Israel to withdraw to its original borders, for all UN members to refrain from the use of force (aimed at Britain and France), and for an embargo against Israel until it withdrew. It was perhaps the United States’ and UN’s proudest moment. Third World countries were ecstatic that the United States would support a Third World country against colonial powers that were normally its allies.

On Oct. 31, the British began bombing Egyptian targets. On Nov. 1, the United States formally introduced the resolution in the UN General Assembly, and Eisenhower announced sanctions against Israel, including withholding U.S. aid. Early the next morning, the U.S. resolution passed by a vote of 64-5 in the General Assembly—with only Britain, France, Israel, Austria, and New Zealand opposed.

On Nov. 6, Election Day, the British announced their willingness to accept a cease-fire, and Eisenhower defeated Adlai Stevenson (who had urged him to send arms to Israel) by a margin twice that of the 1952 elections. Eisenhower had roughly 35 million votes to Stevenson’s 25 million, and the Democrats carried only seven Southern states. More Jews voted for Eisenhower in 1956 than four years earlier.

When Israel refused to withdraw its occupying forces from the Gaza Strip and from Sharm-el-Sheikh, Eisenhower stuck to his guns against enormous political pressure, and supported UN sanctions against Israel. When Congressional leaders, under pressure from the Israeli lobby, refused to back him, Eisenhower went on national television, and said: “Should a nation which attacks and occupies foreign territory in the face of the United Nations disapproval be allowed to impose conditions on its own withdrawal? If we agreed that armed attack can properly achieve the purposes of the assailant, then I fear we will have turned back the clock on international order.” Eisenhower persisted, and also threatened to take away the tax deductions for gifts to Israel and Israeli bonds. Under that threat, Israel withdrew.

1. Quotations from Eisenhower are taken from Stephen E. Ambrose, *Eisenhower: The President* (New York: Simon and Schuster, 1984).

Some Think Violence Is Solution to Sharon Case

Mr. Verhaeghe is a Belgian attorney representing the victims of the 1982 massacre at the Sabra and Chatila Palestinian refugee camps in Lebanon. He was interviewed by Dean Andromidas in late January.

EIR: Belgium is one of the few countries whose judicial system allows for cases dealing with war crimes, crimes against humanity, and genocide, to come before its courts. The attorneys of Israeli Prime Minister Ariel Sharon have challenged Belgium's right to do so. Could you please explain the history of this law and its justification?

Verhaeghe: Originally, there was a proposition to incorporate the principles of the Geneva Conventions. And this original proposition was raised already in 1963, on the 27th of May, to be more precise (I know that, because that was the day I was born). Originally, the only purpose was to incorporate, or to put into Belgian law, the necessary legislation to comply with the obligations of the Geneva Conventions. Over time, it was modified. At the end of the 1980s and the beginning of the 1990s, it evolved from a mere incorporation of the Geneva Conventions toward a more comprehensive proposition of law, in which the Belgian legislature wanted to go further than just those obligations, to where the legislature wanted to install a real universal jurisdiction. Because of the fact that you only deal with cases when people, having committed these crimes, come into your territory, it is not yet universal jurisdiction in the proper sense of the term. Universal jurisdiction means that the only link that you need to have between your national legal system and the crime, is humanity as such. That is, where you come to the definition of crimes against humanity, where it is obvious that the only link is the fact of belonging to the same humanity, which enables a state to exercise its jurisdiction for any case which is a breach of that fundamental international law on crimes against humanity.

Then, the legislature, in 1999—and this was the most significant change, in the same line as the adoption of the statute of Rome with respect to the international criminal court—two more incriminations were added to the law, one for crimes against humanity and one for genocide. So, the legislature pointed out very clearly that it was not inventing a new type of crime, but that it was a law that merely stated the pre-existence of crimes against humanity, and genocide in particular, and that it was legislation to enable the Belgian

courts to take such cases upon themselves.

So this was the evolution, more or less, from the original idea of applying the Geneva Conventions, toward a proper, a full universal jurisdiction for the three types of crimes we commonly denominate as crimes against international humanitarian law.

EIR: Is Belgium unique in this respect, or have other countries incorporated the Geneva Conventions and universal jurisdiction into their legal systems?

Verhaeghe: Other countries have also adopted legislation, and some countries did not even wait so long to incorporate. For instance, the genocide law of Israel of 1950: This was not linked to the Geneva Convention, because the Geneva Convention only deals with war crimes and grave breaches of the Geneva Conventions themselves. So, you already had legislation in Israel dealing with genocide in which the same principle, in fact, applied.

This was developed, in a very interesting fashion, by the Belgian Attorney General last week during our hearing here in Brussels, where he compared both laws—the 1950 Israeli law, and the 1993, as amended in 1999, Belgian law. Because the 1950 law of Israel deals with crimes committed during the Second World War, that is, before its formal entry into force, it dealt with crimes committed not on the territory of Israel, of course, but everywhere in Europe, and crimes committed not against Israeli nationals, for the simple reason that Israel didn't exist, and that the link there was that the people in Israel belong to the same Jewish people. And there is no fundamental philosophical or fundamental legal difference of a link made through belonging to the same Jewish people, or the link made through belonging to humanity as a whole.

Apart from that, which is, of course, of direct importance for our case, you have a lot of other countries that have adopted legislation, or have made declarations, with respect to the Geneva Conventions, such as France, saying that it was not necessary to make special legislation with respect to the Geneva Conventions. Belgium is definitely not the only country that has taken this step of adopting its legislation, but it is one of the only countries that went so far in adopting not just the Geneva Conventions' obligations, but also international humanitarian criminal law as a whole, with crimes against humanity and genocide with the scope of jurisdiction on a universal basis.

EIR: Could you please review the history of this case against Sharon?

Verhaeghe: The case started before I got involved. The case started with an historian, Mrs. Rosemary Sayigh, doing investigative work in Lebanon, already three or four years ago. She interviewed many of the survivors of the massacre—who are still living in Sabra and Chatila, by the way—and she compiled a kind of group testimony, which struck her, in the sense

that there were new elements popping up that had not been known before: such as witnesses referring to an Israeli presence in the camps during the massacres, which is still a contested point. Later, there was also the matter of people who “disappeared,” people who were abducted—taken away and never seen again. Rosemary Sayigh has made a full study of the issue on the basis of these testimonies, and was in contact with Chibli Mallat, who is now our colleague on the legal team.

After that, Chibli, in a bit of a coincidence with Sharon’s announced visit to Belgium, started to look in the direction of Belgium. And, since he is a professor at the University of Beirut, as well as in London and the United States, he started to interrogate his contacts. He got my name through a common friend at the university here in Belgium, and I got into contact with him that way. And hearing his input, from the factual side, I was immediately interested in bringing in the experience I already have in respect to the law of 1993. I filed a complaint in 1998 against [former Chilean dictator, Gen. Augusto] Pinochet, and I am also involved in a case involving Guatemala, where two Flemish priests were murdered—one murdered and one abducted in the beginning of the 1980s. So these parts came together, and I also asked my colleague and friend Luc Walley to step in, to form our team of three lawyers.

We hesitated a bit in respect to filing the complaint in Belgium, because it would put a lot of pressure on Belgian law. Nonetheless, after reading all the testimony of our clients, and looking at the fact that the massacre at Sabra and Chatila is comparable with Srebrenica [Bosnia] and other dark pages in the history of the last half-century, we decided to go ahead, notwithstanding the fact that one of the accused was Ariel Sharon, Prime Minister of Israel. So, we definitely knew what we were getting into. It took a lot of consideration before filing the complaint, which we did on the 18th of June. This immediately led to a lot of pressure both politically and legally.

We first had the intervention of Mrs. Hirsch as a lawyer for the State of Israel, which I felt reflected the cold water fear to go into the legal debate on the part of the State of Israel and Mr. Sharon. But they initially went in as the State of Israel, whereas, of course, the complaint was not at all directed against the State of Israel. So, it was still a political reflex, and not the legal debate we wanted. But this political reflex was eventually taken away with the intervention of the lawyers for Sharon and the withdrawal of Mrs. Hirsch, for the State of Israel has no longer intervened. So we eventually got down to where we wanted to have this case, basically: a legal debate on the basis of legal principles, where every argument is valid and can be advanced in a legal debate. Now we will see what the Court of Appeals will do, following the complete examination of all the arguments developed for and against Mr. Sharon.

EIR: Could you discuss the arguments put forward by Mr. Sharon’s lawyers, and your counter-arguments?

Verhaeghe: Well, basically, there are three main arguments referred to last Wednesday [Jan. 23] in court. We received a written submission from Mr. Sharon’s lawyer beforehand, and he received our submission beforehand. There are basically three arguments.

The first concerns immunity. Mr. Sharon is saying that he enjoys immunity, and that this is a rule of international law—not just international customary law, but also enforced international law, obligatory international law, and that even the Belgian law states there is to be given immunity for these types of cases.

Our reply to this argument is basically very simple: We said, the Belgian law is clear. It says no immunity can be raised against prosecution or investigation of crimes against humanity, genocide, and war crimes (Article 5, Paragraph 3 of the 1993 statute law). Furthermore, as a clear law, it can only be superseded by either another law, which is not the case, or an international convention such as the international convention for diplomatic officers, but there is no such convention in respect to immunity for heads of state. There isn’t even an agreement on the level of international law that it is an absolute rule. On the contrary, even the French Supreme Court very recently ruled in a case that was launched against [Libyan President Muammar] Mr. Qaddafi, that although it is a principle—the principle of immunity for heads of state—that principle suffers exceptions in certain cases. Although they didn’t specify it, it is obvious, that if there are exceptions, it therefore is not an absolute rule. And if it is not an absolute rule, one of the first exceptions that springs to mind is crimes against humanity, namely, because this exception has already been accepted in a number of cases. . . .

The second argument developed by the defense of Mr. Sharon was that he had already been judged by a commission that was presided over by Mr. Yitzhak Kahan, who was then-president of the Supreme Court of Israel. Kahan headed a three-member panel of commissioners who, under the 1968 Israeli law on inquiries, commissioned the famous Kahan Report on the massacres at Sabra and Chatila. That report stated that there was responsibility on the Israeli side, that it was personal, but indirect. It also ruled out active involvement of the Israeli Defense Forces in the massacre itself, which we contest. So, this Kahan Report was then used by the defense of Mr. Sharon as a kind of argument or shield against the inquiry here in Belgium, on the basis of the so-called principle of double jeopardy, that no one can be tried twice for the same offense.

We immediately reacted by saying that an inquiry commission like the Kahan commission is not the same as a court. Moreover, the Kahan commission made its decision on the basis of a political motivation and with a political use, and did not even have the power or authority to sanction anyone,

Lawyers' Statement on Hobeika Assassination

The following statement on the assassination of Elie Hobeika was issued by the attorneys representing the Palestinian victims of the Sabra and Chatila massacre. It is dated Jan. 24, 2002, and is signed by Luc Walley, Michael Verhaeghe, and Chibli Mallat.

The dramatic news which has just reached us from Lebanon this morning about the death of Mr. Elie Hobeika and his companions in a car-bomb attack has shocked us profoundly. Mr. Hobeika had expressed several times his wish to collaborate with the Belgian enquiry on the mass-

crimes of Sabra and Chatila. The determination was again reported widely on the eve of his assassination.

The elimination of a key protagonist, who had offered to assist with the enquiry, appears as an evident attempt to undermine the case, and reinforces the international campaign which seeks to prevent any examination before a neutral forum of a crime against humanity which has remained unpunished.

As lawyers for the victims, we firmly denounce this assassination. In closing our pleadings yesterday before the Court of Appeal, we repeated that the victims are engaged in a judicial procedure which jars with the tradition of violent settlement of the conflicts in the region. Those behind the assassination clearly follow the logic of war which seeks to prevent the pursuit of an alternative of non-violence, law, and justice.

but was merely to provide information to the government to allow that government to draw its conclusions from it, which it did. So it cannot be considered a judgment, and therefore it does not form a basis for a possible application of the double jeopardy rule. . . .

Now, they are not so much insisting on the Kahan Report as on the so-called decision of the Attorney General in Tel Aviv not to prosecute after the Kahan Report was issued. What they want to say with that is the fact—and they can only produce the fact, since there is no written document in respect to this—that the Attorney General did not commence prosecution after being given the Kahan Report. This is supposed to mean that the Attorney General implicitly decided not to make any prosecution, and since, under Israeli law, he is the only authority able to do so, this decision must be considered the same as a decision not to prosecute by a court, and therefore is also an obstacle to further prosecution. This argument, which at least clarifies the position of Mr. Sharon, is rather easy to refute.

Very recently, on the 9th of January this year, the Supreme Court of Belgium decided in a case—although a bit different, it was even stronger than this one—that the fact of being released without prosecution being commissioned, does not prevent a court from subsequently pursuing an inquiry or going over to prosecution and conviction. The 9th of January ruling of the Supreme Court was in fact the ruling in the case of the four Rwandese who were also prosecuted and tried on the basis of the 1993 statute law, and convicted in June of last year at the level of the Court of Appeals, by the court in Brussels. They were all four convicted of war crimes and of acts of genocide.

One of these convicted persons, Mr. Higaniro, had previously been released by the international tribunal of Rwanda.

. . . Now, given the primacy of the international criminal tribunal there, which was set up by a United Nations Security Council resolution, over internal Belgian law, and given that it is an explicit decision—it was a decision by a court in writing—one can easily make the comparison with the argument developed by Mr. Sharon. Now, Mr. Sharon cannot even produce a written decision, and he can certainly not produce a written decision by a court. He explicitly states it is a written decision by the Attorney General. But in Israel, the Attorney General is not independent; he is part of the cabinet. He also consults the government, and he takes a seat within cabinet meetings. So, he is not a part of the judicial system. Second, he definitely is not a court, and third, it is under a national legislative system. It is not a system which would have primacy over our system. . . .

So, in this sense, we are very confident that the double jeopardy argument is now finished off with that Supreme Court ruling.

And then there is Mr. Sharon's third argument, that universal jurisdiction always implies a link with the country. Either by the presence of the perpetrator, or by the presence of the victim, or either by the fact that the country would be in any way connected to or interested in or actively involved in the conflict. With respect to that argument, we think that this is not truly in compliance with the very nature of universal jurisdiction. Coming back again to the comparison that was made by the Attorney General between the Belgian statute law of 1993 and the Israeli genocide law of 1950, indeed, the only link that is needed is the fact that we all belong to the same human race. Nothing more and nothing less. This is the order that has been violated if you talk about crimes against humanity. Since this is the order that is being violated, therefore it is possible for any organization of

human beings, such as the Belgian state or whatever, to take the prosecution, and possibly also the conviction, of these types of crimes into their own hands. So the argument of Mr. Sharon in this sense, on the philosophical and also the fundamental legal basis, we think does not hold. As far as the more formal legal discussion goes, there is no argument to interpret the law of 1993 in this sense. The law of 1993 states universal jurisdiction, without any condition. There is no condition put forward, and if the law does not put any condition forward, it is not up to the judges to restrain or to limit the law afterwards by filling in the conditions themselves. In this sense, also, we feel rather confident that there will not be a problem on that level.

But there is one point on which we could have a small delay. And that is a question the lawyer of Mr. Sharon wants to put before the Court of Arbitration in Belgium. This court can deal with some violations, or alleged violations of the Belgian Constitution. He wants to have the question asked and answered by this court, as to whether there is a possible discrimination between a Belgian minister and a minister of a foreign country, since Sharon is a Prime Minister and had been Defense Minister at the time of these events. Given the fact that a Belgian minister has what we call a priority of jurisdiction, has a kind of special treatment in that you need some authorizations by the House of Representatives, and that he is judged by another court than the court which is normally reserved for criminal cases or crimes against humanity.

We replied to this, saying that there is no need to ask such a question, inasmuch as the law of 1993 itself does not have any discriminating disposition. On the contrary, when excluding immunity, it excludes immunity for anyone. . . . But you never know that the question will be asked, and if that question is asked, it would mean that the Court of Arbitration will have to render a ruling also within the scope of this case. The Attorney General has gone along with the defense of Mr. Sharon insofar as he accepted one question only amongst the different questions that were proposed by Mr. Sharon, but insisting at the same time on the fact that this should not have any suspensive effect on the case itself, and the case itself should be continued without any further delay. We can see at a later point what the Arbitration Court will think of it, and only at that time should a decision be taken.

EIR: When will the Appeals Court make its decision?

Verhaeghe: This decision will be taken on March 6, and on all the other issues. Just a word on the procedure. It is a new procedure that was installed in 1998, mainly with the purpose of avoiding problems like these—with respect to jurisdiction, with respect to admissibility of a certain case—from popping up at the end of the investigation or at the trial itself. Let's posit the hypothesis that one of these reasons would be well-founded. Then, of course, it would be very

embarrassing to see you have conducted an inquiry for a number of years, and put a lot of resources into it, and then see the case go down, when one could have taken the precaution of dealing with these kinds of arguments at the beginning of the case. And this was also the reason why the Attorney General wanted the court to take a decision on it. He wanted all of these arguments advanced by the State of Israel, and then taken up by Mr. Sharon's defense, to be brought before the court so they could be refuted and therefore allow the case to go on. So, it was to clear out the case of all these possible obstacles.

EIR: How far has the actual investigation gone?

Verhaeghe: The investigation had only started. For instance, coming back to Mr. Hobeika's situation [see accompanying article], it is unfortunate that the magistrate conducting the inquiry wanted to clear out all those big theoretical and philosophical questions first, before at least doing some kind of research on the case itself. If he had sent an invitation to Mr. Hobeika—as we had suggested to him in writing already in July of last year, including giving him the address and fax number of Mr. Hobeika—who knows that perhaps Mr. Hobeika would have given suit to that request of the magistrate and perhaps sent him documents or made some statements. Now he will no longer be able to do that, that is obvious.

EIR: Do you want to add anything to your official statement on the Hobeika assassination?

Verhaeghe: There is little to add. There is a lot of speculation. The only thing we feel, of course—and again, it is a feeling, and we have no evidence of it—is, that it is obvious that his assassination, in one way or another, is related to the case, related to the inquiry into Sabra and Chatila, even if it would be in an indirect fashion. For instance, someone might have feared that if Mr. Hobeika spoke in the case, he would have spoken of other cases and other secrets which it were better that he not say. There is much speculation, but we are convinced that in one way or another it is linked, it is related to the case, because two days before his assassination, Mr. Hobeika received two Belgian Senators, and expressed again his intention—if it is true or not, I don't know—to bring forward evidence in the Sabra and Chatila case and even his own declaration.

The basic line for us, remains. I spoke a while ago about the necessity of the legal logic stepping in. We went to great efforts to force the Israeli state to step into the legal logic, which eventually they did because we refused any debate that was political or diplomatic. So, we only accepted a legal debate, and eventually we got a legal debate. And now, with the violence popping up, and if indeed, as we feel, it is related to the case, this is the most sorry element. Now, we see that, apparently, some people think that violence instead of the rule of law could be a kind of solution to the case.

Hobeika Assassination: Sharon's Bloody Message

by Dean Andromidas

The hand of Israeli Prime Minister Ariel Sharon in the Jan. 24 assassination of Lebanese former Christian militia leader Elie Hobeika is clear. The assassination occurred within hours of a hearing before a Belgian appeals court, which announced a final decision would be made March 6 on whether the war crimes investigation of Sharon, conducted by a Brussels prosecutor, can go forward. Hobeika had just announced his confirmed intention to be a crucial witness against Sharon. However, this assassination was not simply "tampering with a witness." It is a clear message by Sharon and those who stand behind him, that they will not be denied in their plans for a new Middle East war, despite the clash of civilizations it will ignite.

On Jan. 22, two days before the assassination, Sharon and his generals held a closed forum. According to the Israeli daily *Ha'aretz* on Jan. 24, several potential war scenarios were discussed, one of which envisioned "an all-out war, that would begin with an attack by Hezbollah rockets, combined with a wave of Palestinian attacks." Israel would respond in Lebanon and against Syrian air defenses, and would invade the Palestinian Authority to "make order." Such a war would be modelled after the U.S. campaigns in Kosovo and Afghanistan, using massive Israeli air attacks." Envisioning the possibility of "Syrian Scud missile attacks, Israel could respond with heavy bombardment of missile sites and infrastructure in Syria."

A few hours after this meeting, Israeli military posts along the Israeli-Lebanon border were the target of anti-tank rocket attacks by the Hezbollah. The Israelis immediately responded by deploying F-16 jets to target Hezbollah positions. The incident did not escalate further. The Israelis claimed the attack was unprovoked; yet, the next day, the United States warned Israel not to conduct military flights over Lebanese territory. This warning was in reference to the fact, that despite Israel's withdrawal from Lebanon last July, its F-16 bombers routinely conduct overflights, often creating sonic booms to terrorize Lebanese cities.

Hobeika was killed in Christian East Beirut by a powerful car-bomb. It was the first killing of a Lebanese who fought in the civil war since the announcement of an amnesty over a decade ago. A London-based Lebanese source pointed out,



The "convenient" assassination of Lebanese former Phalangist militia leader Elie Hobeika, is being laid at Israel's door: It prevents him from testifying against Ariel Sharon.

"You have to understand, there has not been a killing like this in over a decade, not even at the lowest level. No one is going to grieve for Hobeika, but—you know, I don't believe in conspiracies, but this time it is clear to me that it was the Israelis." Such assassinations have not occurred for the simple reason that the "law of revenge" would rekindle the bloody civil war which destroyed much of Lebanon throughout the 1970s and 1980s.

The group that claimed responsibility for the assassination was the "Lebanese for a Free and Independent Lebanon," a group not previously heard of. It accused Hobeika of being a Syrian agent and a traitor. Fitting in with Sharon's war plans, the second part of the statement is a direct threat to Syrian President Bashar Assad. It was a warning that he would suffer the same fate as Hobeika if "he set foot in Lebanon before removing all of his troops." Assad is expected to attend a Beirut meeting soon, and he is not expected to remove the 30,000 Syrian troops prior to his arrival.

While no one has heard of this group, one wonders whether it is linked to the so-called "Government of Lebanon in Exile," whose office address is 59 King George Street, in the center of Jerusalem. Its spokesman, Nagi N. Najjar, recently penned an article denouncing the Belgian government for allowing its prosecutors to investigate allegations that Sharon was responsible for war crimes, because of his role in the massacres in the Sabra and Chatila Palestinian refugee camps in Lebanon in 1982. Najjar claims that the camps were simply "training centers for terrorists." The "government" which Najjar represents is, no doubt, made up of remnants of the so-called South Lebanon Army, which was the mercenary force the Israeli Army created, financed, and armed throughout its 20-year occupation of southern Lebanon. It is the one Lebanese group that did not sign on to the official Lebanese amnesty.

This “government” is also supported by the so-called United States Committee for a Free Lebanon, founded by Lebanese-American and Wall Street “venture capitalist” Ziad K. Abdelnour. According to its official website, the committee’s “Golden Circle” of those who have lent “invaluable support” to its cause, include the leading war-mongers inside and outside the Bush Administration. This includes Douglas Feith, U.S. Deputy Secretary of Defense for Policy, and Richard Perle, of the ultra-right-wing American Enterprise Institute, a good friend of the leader of the Bush Administration’s war faction, Deputy Secretary of Defense Paul Wolfowitz. Among many others are right-wingers Daniel Pipes, Sen. Jesse Helms (R-N.C.), and Iran-Contra player and former National Security Adviser Robert McFarlane. All are self-proclaimed friends of Sharon.

Tampering With a Witness

On Jan. 23, less than 24 hours before Hobeika’s assassination, a Belgian appeals court heard final arguments by Sharon’s attorneys demanding that the investigation of their client be terminated. As the accompanying interview with Michael Verhaeghe, one of the attorneys representing the Palestinian victims in the case, indicates, the hearing did not seem to go well for Sharon.

Following the Hobeika assassination, Verhaeghe and his colleagues issued a statement, saying, “The elimination of a key protagonist, who had offered to assist with the enquiry, appears as an evident attempt to undermine the case” (see below).

In 1982, Hobeika was the head of intelligence for the Christian Phalangist militia. It was his unit which took part in the Sabra and Chatila massacre. In his checkered career, he went from an Israeli protégé to a politician who served in the Lebanese government in the 1990s. On July 18, 2001, a few weeks after filing the case against Sharon in Belgium, Hobeika, in a press conference, declared his willingness to go to Brussels to testify. “I openly declare that I am very satisfied that the Sabra and Chatila case has been brought to Belgium, perhaps giving me the first opportunity in 19 years to tell the truth and defend myself and my reputation . . . and get cleared of this accusation.”

As he was making this declaration, a formal request by the attorneys representing the Palestinian plaintiffs was made to the investigative prosecutor, calling for Hobeika to be invited to testify. The only reason he was not called to Belgium last year, was that the investigation was suspended, while the appeals process was being carried out. That process has now ended, with the Jan. 23 hearing.

On Jan. 23, Hobeika met with two Belgian Senators, Josy Dubie and Vincent van Quickenbourne, who were on a fact-finding tour in their capacities as members of the Belgian Sabra and Chatila Committee. Hobeika reiterated his intention to come to Belgium and testify in the trial. Less than 24 hours later, he was dead.

Afghanistan Confronts Economic Disaster, Chaos, and Geopolitics

by Muriel Mirak-Weissbach

Three and a half months after the first bombs were dropped on Afghanistan, the stated war aims are far from being reached. The Osama bin Laden/al-Qaeda terrorist networks, though neutralized and disbanded, have not been eliminated; nor have their leaders been located—much less apprehended. The country, which was given a ready-made interim government through an international conference in Bonn, Germany, is not stabilized; despite the presence of international peacekeepers, rival warlords are in outright conflict, and security conditions outside the capital are not adequate for the distribution of humanitarian aid, urgently needed. UN deputy special envoy Francesco Vendrell has said that 30,000 foreign troops would be required to establish security in the major cities.

At the same time, American and other Western military forces are moving in with astonishing rapidity to secure bases, not only in Afghanistan, but in all of Central Asia. This is an ominous development if seen through the eyes of Russia, India, and China, whose leading political and military figures are asking themselves, whether perhaps there is another agenda, than what was officially drawn up in Washington. Especially in Moscow, according to a leading strategist at Moscow’s U.S.A.-Canada Institute, who spoke to *EIR* on Jan. 11, there is a growing feeling in his country that Russia has been “betrayed and double-crossed,” by the United States and Britain.

Afghanistan Ungoverned

The government of Interim Prime Minister Hamid Karzai, which had been shaped at the Bonn conference, and took power on Dec. 22, is powerless. This was demonstrated most cruelly on Jan. 10, when it was reported that seven Taliban officials (including the former justice minister and defense minister) had surrendered in Kandahar, and then been promptly released by the governor, Gul Agha. They were handed over neither to the Karzai government, nor to the United States, which wanted them. Jalal Khan, a close associate of Gul Agha, said that they had been released after recognizing the Karzai government, and promising to stay out of politics. “Those men who have surrendered are our brothers, and we have allowed them to live in a peaceful manner. They

will not be handed over to America," he said.

A more dramatic expression of the same impotence, is the emergence of conflict among rival warlord factions, which are represented inside the Karzai government. On Jan. 20, fighting broke out west of Kunduz, between Tajik forces loyal to former President Burhanuddin Rabbani and Interim Defense Minister Mohammed Faheem, on the one hand, and those loyal to Uzbek warlord and Interim Deputy Defense Minister Abdul Rashid Dostum, on the other. On Jan. 24, it was announced that Dostum's forces had seized control over the Qale Zall district in northern Afghanistan.

At the same time, in the eastern Khost province of Afghanistan, fighting broke out between the forces of Zakeem Shah Zadran, loyal to Rabbani/Faheem, and those of Bachaa Khan Zadran, loyal to Karzai. The conflict is over who will be the provincial governor.

In western Afghanistan, warlord Ismail Khan is consolidating control, but not unchallenged by Pashtun groups. Pakistani Gen. Mirza Aslam Beg (ret.) told *EIR* on Jan. 24, that what he had predicted at the onset of the war, was unfortunately becoming reality: "There are four or five regions now created, in the Northwest, around Herat, under Ismail Khan; among the Hazaris; in the North and center around Mazar-i-Sharif, under Dostum; in the Panshir Valley under Faheem; and, in the area in the South, in Pashtun territory, I have counted five warlords, each with one to two districts under his control." In sum, "there are about a dozen warlords controlling the country, and there will not be peace there for a long time."

A Struggle for Money

Such conflicts reflect an enduring reality of the country, that, in the absence of a powerful central authority, local, tribal factions will emerge and vie for power. This competition is also a struggle for money. As one Carnegie Institute researcher commented on Jan. 21, the warlords will have to be bought off. In General Beg's view, whatever funds are made available to Afghanistan, will be the subject of massive fighting.

One major problem for Karzai is money. Although he took office in late December, he has not had the financial means to pay civil servants, including police. At the opening of an international donors conference in Tokyo on Jan. 21, Karzai warned that unless serious financial support were provided fast, the country "could remain a source of instability for the world and the region." He stressed that his government would lose all credibility if it could not pay staff or deliver services to the people. Karzai expressed his frustration over bureaucratic delays in getting funds released, saying his government has seen "little sign from the international community in response to our urgent needs." He stressed the country needs grants, for its immediate cash needs, not "pledges."

The donors conference came up with a \$4.5 billion aid package, which is less than half the five-year goal of \$10

billion set by the United Nations. Of the pledges, \$1.8 billion is to be made available this year, and the remaining \$2.7 billion over the following years. The European Union pledged \$500 million for this year; Iran, \$500 million over five years; Japan, \$500 million over two or two and a half years; Saudi Arabia, \$220 million over three years; and the United States, \$296 million for 2002. The order of magnitude being discussed for a reconstruction plan, is \$10-15 billion, over ten years.

The actual needs of the country would require hundreds of billions over decades. Although the international aid is dubbed "for reconstruction," the fact is, it is for basic construction: Afghanistan has no infrastructure, no road system, no railways, electricity, running water, and so forth. The precondition for unifying the country would be to construct a national transportation system, rail and road, which would also be linked up to neighboring states.

Pax Americana in Central Asia

While war continues in fact in Afghanistan, with aerial bombardments, the U.S. military has been massively extending its presence in the region. For the initial military campaign, the United States had managed to convince Pakistan, Tajikistan, Kyrgyzstan, and Uzbekistan to provide base facilities. Now, as peacekeeping forces are being deployed in the capital, the logistical basis for further U.S. presence is being built up.

Gen. Tommy Franks, the U.S. Commander of the operations in Afghanistan, was in Uzbekistan beginning on Jan. 21, for talks with President Islam Karimov and Defense Minister Kadyr Gulyamov. Franks was seeking an agreement, which was signed, whereby the United States would rent a base for 25 years! Currently, there are 1,500 Americans at Khanabad air base in Uzbekistan.

Although Franks denied that the United States had any intention of establishing a permanent presence, the facts seemed to contradict him. A leading British strategic analyst told *EIR* on Jan. 21, that the United States is moving to establish bases in all the Central Asian republics. General Franks went on to Kyrgyzstan, where he met again with President Askar Akayev and his defense minister, about basing rights at Manas Airport, where the United States plans to deploy 3,000 troops. Franks was also negotiating for Canadian and French forces to be allowed to join the Americans. He then flew back to Tashkent, the capital of Uzbekistan. Kyrgyzstan has no border with Afghanistan, but does have a border with

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China, a fact which has increased apprehensions in Beijing, that the deployments are aimed against China.

In Pakistan, which has been the base for the U.S. war, an agreement was struck on Jan. 24 for a long-term American presence, as the government agreed to provide full operational facilities at Karachi International Airport. The United States has asked Pakistan to provide large tracts of land to build a permanent air base in Pakistan's northwest province of Baluchistan, near the Afghan border.

What is the view in Russia on these deployments? The strategist from the U.S.A.-Canada Institute in Moscow, cited above, said that people felt "blackmailed": "On Sept. 24, President Putin said demonstratively, and publicly, that Russia was now a 'friend of the West.' Soon thereafter, [British Prime Minister] Tony Blair wrote a letter, promising a new Russian relationship with NATO. But what has actually happened? Nothing!" Not only have there been no gestures from the United States, but there has been "a new pattern of verbal attacks on what we are doing in Chechnya, with no corresponding criticism of what the Americans have done in Afghanistan; and forward moves by the U.S. in Central Asia."

He went on: "We are being treated as a secondary power, as an outcast. It is very ugly." Although President Putin is still "very popular," he said, "we are reaching a threshold. If the United States does now in Kazakstan, what it has been doing in Uzbekistan, with building up military infrastructure and related moves, a threshold of tolerance will have been crossed, and the mood toward Putin will likely change."

Open criticism of the U.S. moves in the region has come from Russian military and political figures. Konstantin Totsky, director of the Border Service (which polices the Tajik/Afghan border), told Interfax Russia that he expected the United States to leave. "Once the operation [in Afghanistan] has ended, that presence here will be superfluous." Speaker of the State Duma (parliament) Gennadi Seleznyov, told the press in Dushanbe, Tajikistan, on Jan. 11, that his country is interested in a speedy peace in Afghanistan. "Russia is not interested in various bombings continuing in Afghanistan. We are interested in Afghanistan having a permanent government." He added that Russia did not want "different American or NATO bases to appear" in Tajikistan on a permanent basis. And Putin, it will be recalled, stressed in December that he did not expect the U.S. forces to stay "for a long time."

Raw Materials Resources

In the view of some strategic analysts, Russia could be preparing to "come to an arrangement with the U.S.," as one British source put it. The important factor here is raw materials resources, and control over pipeline routes. The clash of civilizations faction inside the United States, typified by Zbigniew Brzezinski and Samuel Huntington, has been historically associated with the British "Great Game" geopolitical idea, of carving up the nation-states of Eurasia, pitting them

Map Caption: ►

This mapping of major rail lines operating and under development, shows that Afghanistan sticks out because it has no economic infrastructure at all.

one against the other, and looting their raw materials resources. This is clearly one thrust coming out of Washington, as indicated by President Bush's new special envoy for Afghanistan, Zalmay Khalilzad, a Brzezinski protégé who supported the Taliban and lobbied for the Unocal pipeline project through Afghanistan, which was designed to cut out Iran and Russia from Central Asian oil and gas development.

As several diplomatic sources from Central Asia have told *EIR*, the Russian response to these aggressive U.S. moves will not be military, but diplomatic and economic. It is no secret that the reason why the Central Asian countries have agreed to an American military presence, is that they are "cash-starved," in the words of General Beg. Massive amounts of money are being promised to these countries, and huge oil and gas deals are being consolidated, as a carrot, while the stick being waved, is the continued threat of Taliban-linked extremist insurrections against these governments.

Russia's response to date seems to be, to offer these nations its own economic support, through large cooperation projects in raw materials development. Thus, on Jan. 22, Russian President Putin proposed a "Eurasian alliance of gas producers," to three major Central Asian states. Putin made the proposal during a visit to Moscow by Turkmen President Saparmurat Niyazov; it would include Turkmenistan, Kazakstan, and Uzbekistan. Putin said that it would "bring an element of stability into the transportation of gas on a long-term basis." Turkmenistan, a neutral country, and Kazakstan, which has not welcomed the U.S. presence, are already members of the alliance; Putin's offer to Uzbekistan is a counterweight to the heavy U.S. presence there.

As the London *Financial Times* noted, Russia wants to win over these countries to pipeline deals, since all the alternative pipeline projects, engineered to exclude Russia and Iran, have failed so far because of financial problems.

Russia is a giant among the raw materials producers: It produces 585 billion cubic meters of gas per year, followed by Uzbekistan with 50 bcm, Turkmenistan with 45 bcm, and Kazakstan with 10 bcm. And, following upgrading of its oil industry, it has become the world's number-one oil exporter.

Each major power—Russia, India, Iran, China—has its own perceived interests in the region, and, prior to the Afghanistan War, were cooperating on large-scale regional projects, for transportation as well as oil and gas infrastructure. The new element, a projected long-term American military presence, is seen to undermine this cooperation, if not to sabotage it outright.

FIGURE 1

Railroad Development in South Asia



John Sigerson / EIRNS 2001

- Existing main rail lines
- == Lines completed since 1996
- Projected new rail routes

Egypt and China Discuss Mideast Intervention

by Mary Burdman

Egyptian President Hosni Mubarak, who “plays a subtle and important role in the Middle East region,” as China’s official news service Xinhua characterized it, paid his eighth visit to Beijing on Jan. 23-26. Mubarak went to China on the 45th anniversary of the two nations’ diplomatic relations “to revitalize strategic ties,” and as Israeli provocations against the Palestinian Authority worsened by the day. His discussions with China’s leaders prompted their unusually urgent statements on the threat posed to Palestinian Authority President Yasser Arafat, and the danger of all-out war in the Middle East.

President Mubarak discussed his efforts to help resolve the Mideast conflict with his Chinese counterpart Jiang Zemin, emphasizing his efforts to put pressure on the United States to curb Israeli aggression. Spokesmen of both sides, following the talks between Mubarak and Jiang, and Mubarak and Chinese Prime Minister Zhu Rongji, underlined that only through a just establishment of an independent Palestinian state could the crisis be resolved. The Chinese President said there must be an early settlement of the conflict, if terrorism is to be uprooted, and stated China’s continued support for the just national rights of Arab and Palestinian peoples. Jiang also stressed the importance of a growing role for Mubarak in Mideast affairs.

Egypt and China are each others’ most important partners in Asia and the Middle East, and political and economic relations have been growing rapidly in recent years. The official focus of the visit was economic agreements, including the inauguration of an Egyptian-Chinese business council, with 62 members from both countries. The agreements signed included one for cooperation in peaceful use of nuclear power, as well as for cooperation in petroleum, transport, and tourism.

On the political front, the focus was the Israeli-Palestinian conflict. Mubarak denounced the idea of a “conflict of civilizations,” as a dangerous concept, and one which attempts to equate “resistance against occupation” with “terrorism.” Mubarak refuted Israeli claims about alleged weapons smuggling by the Palestinian Authority, and described Israeli aggression against Palestinians.

He also reiterated his call for convoking a United Nations-

sponsored international conference to combat terrorism, an issue he has been promoting for over 15 years. Beijing supported this proposal. Zhu Rongji especially praised “Egypt’s foreign policy of independence and non-alliance and supports the constructive role of Egypt in the Middle East and international affairs.”

President Jiang Responds

The impact of the talks was demonstrated in several public statements from Beijing. On Jan. 26, President Jiang responded, in a letter given prominent coverage by Xinhua and *People’s Daily*, to a Jan. 22 letter from President Arafat. In his letter, Arafat had appealed to China to use its influence, in cooperation with the international community, to advance efforts to stop the worsening situation in the Middle East and salvage the peace process. Arafat said that China is a major power with great influence in international affairs, and the Palestinian side highly appreciates China’s efforts on behalf of Mideast peace.

Arafat met with Wu Jiahong, director of China’s office in Palestine, and told him that Israeli military operations on Palestinian territory had “crossed all ‘red lines,’” and the situation in Palestine was in danger of getting out of control.

Jiang Zemin wrote that the Mideast situation is steadily deteriorating, and the Chinese government, as well as he personally, are gravely concerned. China opposes Israel’s military strikes and economic blockade against Palestine, and its acts that jeopardize the lives and property of Palestinian civilians, and is “particularly opposed” to Israel’s “ill-advised” restriction of Arafat’s freedom of movement.

China has noted the huge effort of the Palestinian side for a cease-fire, he wrote. He called for joint restraint and negotiations, and pledged China’s readiness to play a due role, with the international community, in easing the tension.

A commentary, very critical of Israeli policy and the failure of the United States to use its “considerable restrictive force” on Israel, was published in the *People’s Daily* on Jan. 25. President Mubarak “has sent 11 letters to U.S. President George W. Bush,” on just this matter, the commentary stated. “However, people do not see any effective actions taken by the United States.”

For the Arab world and Palestine, the key thing is unity, and to work for political negotiation to “gradually fulfill their desire for the establishment of an independent Palestine state.” Israel should understand that “the use of force not only cannot fundamentally solve the problem, but also Israel’s peace and tranquility will be out of the question. . . . Since Prime Minister Sharon has repeatedly declared his willingness to make ‘a painful compromise’ with Palestine in return for peace with the latter, then why doesn’t it try hard to replace military actions with peaceful means?”

“As for the United States, since it has openly expressed its agreement to the establishment of a Palestine state, then it

Mahathir: Malaysia Was Not 9/11 'Launch Pad'

Malaysian Prime Minister Dr. Mahathir bin Mohamad responded to an FBI report that Malaysia was a "launch pad" for the Sept. 11 attacks, by pointing to the fact that only the United States itself could have been the launch pad for such a sophisticated operation. "These people were training in the U.S. all the time, and then they planned in America how to hijack American planes, at what time, which plane, which building. All that was

done in America, not done in Malaysia," said the Prime Minister. He said the terrorist suspects had been travelling all over the world, including to Switzerland.

Newsweek reported that the FBI claims that a Malaysian, Yazid Sufaat, met with two of the accused 9/11 pilots, and financed Zacarias Moussaoui, now on trial in U.S. Federal court as the "20th hijacker." Dr. Mahathir said that he doubted that Sufaat, who is under detention in Malaysia for suspicion of domestic terrorism activities, was involved in the planning of the Sept. 11 attacks, and asked those who have information to provide it. "Let's see the evidence. It is very easy to say that he had done it, but did he do it in Malaysia, did he plan everything? I doubt it. . . . It's too sophisticated an operation," he said.

should take follow-up actions. The United States has considerable restrictive force to deal with Israel. It should let the Palestinian people really see that there is hope for the establishment of an independent Palestine state with East Jerusalem as the capital through peaceful means," as the only solution to resolve the conflict, and to solve "the problem of extremist organizations of Palestine and Israel." The commentary also called for the international community to "extend more realistic and effective support to Palestine."

On Jan. 29, Chinese Foreign Ministry spokesman Kong Quan said that Arafat's leadership must be maintained. The authority of Arafat, who symbolizes the just cause of the Palestinian people, would help revive peace talks, Kong said. There were also reports in the Tel Aviv daily *Yediot Ahronot*, that a reception in Beijing to mark ten years of Chinese-Israeli ties, ended up as an insult to the Israelis. The reception was sharply downgraded in size and importance, and, interestingly, the room was decorated with the flag of Norway—site of the Oslo peace talks—rather than of Israel. Among other strains in Chinese-Israeli relations, is that Israel unilaterally (but under heavy U.S. pressure) had cancelled a contract to sell Phalcon reconnaissance aircraft to China in 2000. China has demanded some \$1 billion in compensation, but nothing has been arranged.

China's Other Regional Ties

China is also developing other regional relationships. King Abdullah II of Jordan paid his second state visit to China on Jan. 17-21. Abdullah emphasized the importance of an independent Palestinian state, and discussed economic development, a critical issue for Jordan amidst the world depression and the Israel-Palestine conflict. Moroccan King Mohammed VI will pay a state visit to China on Feb. 4-9.

Iraq and Sudan are also of central importance. On Jan. 28, Zhu Rongji stated China's opposition to any arbitrary

expansion of "anti-terrorist" military action, in his discussions with visiting Iraqi Deputy Prime Minister Tariq Aziz. Aziz was on his way to Russia for further talks.

Zhu Rongji, repeating statements by diplomatic *éminence grise* Vice Prime Minister Qian Qichen, said there should be no double standards in the fight against terrorism, and called for an early resolution of the Iraq issue, on the basis of relevant UN Security Council resolutions.

The strategic context of these talks, was described in China's *Outlook Weekly* on Jan. 16. The most serious issues for China's economic development, are the danger of deflation, which is much more serious even than falling exports; the financial problem posed by the falling Japanese yen; and the issue of strategic resources, endangered by the U.S. "war on terrorism," stated the author, a deputy director of an institute of the national cabinet's think-tank, the Development and Research Center of the State Council.

The real purpose of the U.S. war against Afghanistan, nominally against terrorism, "is to make the presence of its military force felt in Central Asia," according to the views of insightful analysts, the article states. "This has posed a real threat to the source and channels of China's strategic resources."

In addition, China's oil interests in such nations as Sudan are endangered. In the mid- and late-1990s, China carried out a policy of developing external oil resources. This included a "successful" investment "in some sensitive countries such as Sudan."

However, the article notes, the United States, "in the name of anti-terrorism, has made a public declaration that any state or government, which ever supported terrorist activities, will be on the list of being hit. Sudan is probably on the list. Voices grow stronger recently in the U.S., urging expansion of the sphere of its military strikes. This has created highly unstable factors in external areas important for China's resources."

British Cleric Rebuffs 'New Empire' Mania

by Mark Burdman

The policy grouping in Great Britain that has been promoting a "New Empire" since Sept. 11, has received a rebuff from an unexpected source. At a time when "New Empire" enthusiast Tony Blair, Her Majesty's Prime Minister, has claimed the role of the world's most enthusiastic supporter of the "war on terrorism" and the bombing of Afghanistan, the man who is the leading contender to be the next head of the Church of England, the Archbishop of Wales, Rev. Rowan Williams, has issued a blistering attack on these military operations.

The office of Prime Minister Blair, through his foreign policy guru Robert Cooper, has been avidly promoting the "New Empire" provocation, as have individuals at government-linked institutions such as the London School of Economics and Foreign Policy Centre think-tank in London. For an attack on this policy to come from the prospective head of the Church of England, is no small matter. The head of the Church is also the head of the Anglican confession internationally, which includes the Episcopal Church in the United States. Also, the Supreme Governor of the Church of England is Queen Elizabeth II. Williams had, earlier, raised some hackles, when he proposed that the Queen should no longer have this role.

He and other contenders for the post were propelled into prominence, when Church head Archbishop of Canterbury Dr. George Carey suddenly announced in January, with no reasons given, that he would be resigning, effective Oct. 22. The battle for his succession has already become quite heated, "the most intense in the Church of England for at least five decades," according to one British source.

Assuredly, Blair and Her Majesty are none too pleased with Archbishop Williams' pronouncements, so he cannot be regarded as a shoo-in, even if he now has a plurality of support within the Church of England structure. According to procedure, the Prime Minister and Queen together, make the final decision about the succession, after the final two candidates' names are proposed to them. The other two leading candidates, Bishops Nazir-Ali and Chartres, have, so far, not said anything of any note on the issues raised by Williams. Dr. Carey has carefully endorsed the government "party line" on the terrorism/Afghanistan complex, with only the mildest of reservations. Generally, during his tenure as leader of the Church, Carey has toed the line of Her Majesty's Prime Minister.

Extracts from Williams' new book, *Writing in the Dust*,

were published in the Jan. 21 London *Guardian*, under the headline, "For God's Sake, Stop This Talk of War." He asserted that "the risk and frustration" of the current moment, is that "we cannot see the end . . . of the conflict that began in October. . . . The conflict begins to become an embarrassment."

On the war in Afghanistan, he said, "There is a fine line between, for example, the crippling of military and aircraft installations, and the devastating of an infrastructure with a half-formed aim of destroying morale. Combine that with the use of anti-personnel weapons such as cluster bombs, which ought to raise serious questions (they have been described as aerial land-mines in terms of their randomly lethal character), and the whole enterprise is tainted.

"Tainted, because as soon as assaults on public morale by allowing random killing *as a matter of calculated policy* become part of a military strategy, we are at once vulnerable to the charge that there is no moral difference in kind, between our military action, and the terror that it attacks" (emphasis in original).

Archbishop Williams warned that "a good deal of the moral capital accumulated during the first days and weeks [after Sept. 11] was soon squandered. From a situation where Muslim nations, even Iran, expressed shock and sympathy, we came to a point where the shapelessness of the campaign led Muslims to ask whether there were any agenda other than the humiliation of an Islamic population."

'The Coalition Could Unravel'

Raising questions about the morality and so-called justification for these military campaigns, Williams asked, "Can we, for God's sake, let go of the fantasies nurtured by the capacity for high-tech aerial assault?"

The Archbishop reserved his most devastating critiques, for the mistake, by American and British leaders, of using the word "war" to define the fight against terrorism in the first place. He wrote: "And if we stop talking about war so much, we might be spared the posturing that suggests that any questioning of current methods must be weakness at best, treason at worst. We could ask whether the further destabilizing of a massively resentful Muslim world, and the intensifying problems of homelessness and hunger in an already-devastated country, were really unavoidable. We could refuse to be victims, striking back without imagination."

Williams has also raised questions about the U.S. military's treatment of prisoners, at the base in Guantanamo Bay, in Cuba. A senior British defense source, with many contacts in the U.S. strategic-military establishment, told *EIR* on Jan. 21, that this issue is provoking such a wide array of dismay, in usually pro-American British circles, that, combined with other factors of the type raised by the Archbishop of Wales, "the entire anti-terror coalition could possibly soon unravel." Since Sept. 11, this individual has been personally involved in shaping that "coalition."

Venezuela Turns Out Against Hugo Chávez

by David Ramonet and Gretchen Small

Two marches were held on Jan. 23 in Caracas, Venezuela: one organized by the opposition to the government of President Hugo Chávez; the other by Chávez, as a show of force against the opposition. The opposition chose to stage its protest on the anniversary of the 1958 overthrow of Gen. Marcos Pérez Jiménez. The demonstration, called by diverse opposition parties and social organizations, stunned even its own organizers, and marked an important change in the general character of the opposition movement itself. Estimates of the anti-Chávez turnout ranged from 80,000 to 200,000 people; but whatever the figure, their numbers vastly overwhelmed what Chávez could pull, as can be seen in the two pictures published here.

Opposition has grown as the Chávez regime has failed to better the lives of Venezuelans, while building up an overt political-military infrastructure for fascist mob rule. The leadership of the opposition movement, however, tended to portray the issue before the country as a fight of free-trade economic liberals against the “Cuban communists” of the Chávez regime, thus limiting their numbers, and playing into Chávez’s preparations for a civil war of “poor against rich.”

An earlier national strike, on Dec. 10, did shut down much of the country, but most people joined the strike by staying home, intimidated by the regime’s thug tactics against opponents (including organized mob attacks against private schools, newspapers, and political, business, and trade union opponents alike). Jan. 23 broke that fear.

People came from every part of the country; labor and

business leaders, housewives, merchants, workers, students, and children, all marched with a unity of purpose to a meeting in the center of the capital city. The stratification which usually dominates Venezuelan social relations disappeared; rich and poor, black, white, and brown mingled without distinction, producing that special quality of happiness generated when great numbers of people act on the basis of their common humanity.

Slogans ranged from “Chávez Out Now!” to “Democracy, Freedom, and Tolerance; No to Dictatorship.” Another—“We Don’t Want Dictatorship, Nor a Return to the Past”—countered Chávez’s charge that the only ones who oppose him are those committed to the political and economic regime whose wretched failure to defend the General Welfare led to Chávez’s once-enormous popularity. The march concluded with the singing of the national anthem by the ocean of people who overflowed Caracas’ main plaza and spilled into surrounding streets.

In contrast, the march in support of the President who once commanded 80% popularity, was delayed for two hours, waiting for expected delegations who never arrived. Chávez prohibited press helicopters from flying over the capital to verify the size of the two demonstrations. But, although the President lied that his followers were “three times the size of the opposition’s march,” his red bereted-shock troops—and the leadership of the Armed Forces—could see they were outnumbered.

Chávez responded to the mass protest in character: sharply radicalizing his Jacobin regime. Speaking before the diplomatic corps on Jan. 24, he denounced the Roman Catholic Church as “a tumor” on Venezuelan society. He then fired his Interior Minister, Luis Miquilena, an old-line radical who Chávez decided had become “too soft” when he argued for dialogue with the opposition. His replacement, Navy Capt. Ramón Rodríguez Chacín (ret.), signals the direction the Chávez regime intends to take: an intelligence “spook” with a career in military special operations, Rodríguez Chacín has been Chávez’s personal envoy to various Andean narco-terrorist groups, and especially to the largest, the Revolutionary Armed Forces of Colombia (FARC).



The government-sponsored rally in Caracas (left), on Jan. 23, and the opposition march in the main plaza, on the same day.

Of Homer's Troy, And The Careerist Scholars' Wrath

by Andrea Andromidas

Once again there is war over Troy—the old war, over the question: Does Homer's *Iliad* have an historical foundation, or is the epic only a product of the bard's fantasy? The spur to this new warfare, conducted with well-sharpened spears, was the first stage of an excellent exhibition opened in March 2001 in Bonn, Germany on the theme, "Troy: Dream and Reality," in which the latest research results are put before the public.

Since the tour moved from Stuttgart to Braunschweig and now to Bonn, a million visitors have seen the exhibition. Both its stay and its daily hours have been extended to accommodate the extraordinary public response. The exhibition's scientific coordinator is archeologist Prof. Manfred Korfmann of the University of Tübingen, who has led the most recent excavations at Hisarlik, Turkey. Hisarlik was found by Heinrich Schliemann, in the 1870s, to be the site of Homer's Troy.

But the basis for the warfare lies much deeper. Overlooking a few brief cease-fires, this controversy has continued now for 200 years in Germany, and despite the variety of the arguments brought forward, its real subject is always the heart of the great poet Homer.

No one would doubt that Homer, with his poetry, laid the groundwork for a renaissance. When, however, it comes to throwing light on the historical connections of Homer's epic world, and above all their effect upon the real world, then weapons are seized, with a shriek.

The Scholars' Opposition to Homer

When, during the German Classic period, interest in Homer grew, the scientist of antiquity Friedrich August Wolf published a work against him. In Wolf's *Prolegomena to Homer*, appearing in 1795, he put forward the assertion that the *Iliad*, and the *Odyssey* as well, probably could not have been the creation of a single mind; but rather that we could

only be dealing here with the notions of a succession of different poets. The great poet Friedrich Schiller pronounced Wolf's view to be barbaric. Nevertheless, the skepticism which this work spread among specialists, led finally even to the point where the very existence of Homer was called into question, and the events described in the epic were designated as poetic inventions.

When in 1871 Heinrich Schliemann, entirely unknown in the circles of scholars of antiquity, searched through the landscape of the Troad, literally with his Homer in his hand, and later unearthed the ruins of the city, the old enthusiasm for Troy was again immediately awakened—and, as was to be expected, also the shrieking. The stay-at-home German scholars threw against Schliemann the most violent opposition, which finally climaxed in the campaign of the retired army Captain Bötticher. In books, essays, and pamphlets, he charged Schliemann with falsifying the results of his excavations and making completely exaggerated interpretations; and charged that in reality the excavation presented not a Homeric city, but simply a ceremonial tomb.

Even after the recognition of Schliemann's work, and the later discovery of the impressive walls of the late-Bronze Age Troy VI and Troy VII which Homer described, the burning question of the actual identity of Troy could not be fully answered. Although it is firmly established that writing was very much in use in Troy at that time, the extensive excavations up to this day have been able to supply no written or other proof which would unequivocally show, that today's Hisarlik is really Troy. This bothersome uncertainty has urged on the skeptics to the predictable degree, that a much-noticed 1964 archeological study, by Rolf Hachmann, appeared to have definitively set aside every claim to a contribution to the historical explanation of the question of Troy. Therein he says:

"If neither the epic itself nor other sources yield any deci-

sive point showing that Troy must be identical with one of the settlements on the hill of Hisarlik, then there is absolutely no possibility of proof, for archeology in particular does not allow indicative [or circumstantial] proof. Yet further: if the historicity of the city of Troy and the Trojan War is not able to be confirmed either from the epic itself or on the basis of some other demonstration, then it is false to search after the historical reality of the city and the war, for such a proof is particularly impossible from an archeological finding.”

The Iliad’s Credibility

The fact that archeology cannot produce a circumferential wall made out of wood, nor a fortified grave, and certainly not a large city, is said to establish that Homer’s images are entirely unreal. This teaching held, at least in Germany, up to the most recent past, and so, the arguments of the opposition professors Kolb and Hertel in the current controversy over the Troy exhibition, are not essentially different from those of retired Captain Bötticher. In their essentials, all these arguments aim at taking away from Troy the grandeur which the poet, without any question, gives it in the *Iliad*: namely, a well-walled and large city, overlooked by an Acropolis, with resplendent houses and broad streets.

And if Homer’s picture of Troy is entirely unreal, then all the more should all the rest of the *Iliad* be considered to have no credibility.

While the greatest part of the scholarly world has certainly rested since then in the sleep of Rolf Hachmann’s learned opinion, in the last 15 years there have nonetheless come to light some research results, which not only confirmed Schliemann’s basic account, but also pointed, in a fascinating way, toward the path to a clarification of the historical events. Results which arose from the mutual intellectual stimulation of distinct fields of specialization, have now been placed before an inspired public in the exhibition “Troy—Dream and Reality.” Since the author and two of her colleagues had, besides, the great opportunity of viewing the excavations in Troy and the landscape of the Troad, this article will report on them as well.

Alongside many other special fields of study, the following three are essential:

- Archeology; in particular the campaign of excavations in Troy since 1988, led by Professor Korfmann.
- Research into the empire of the Hittites.
- Research on Homer.

Troy, naturally, is no customary excavation site, for everyone who, with great expectation, has ever come here, had a head full of images of mythology and Homeric poetry. When one finally stands before the ruins, one at first is struck by the sobering fact, that before one lies a not-at-all-large hill, but a very complicated one, with more than ten layers of habitation built on top of one another—seven distinct Troys from 3000 B.C. to 1000 B.C., and then the Hellenic and Roman settlements. Very slowly, one begins to locate and distinguish between the remnants of the different walls: Troy I, II, III, and

TROYA

Troy - Dream and Reality
15 November 2001 - 1 April 2002 (extra 1)

- **Special hours, admission, arrival**
Extended opening hours for the "Troy" show starting on Saturday, Dec. 1, the Exhibition Hall, in order to face up to streams of visitors, extends its opening exhibition "Troy - Dream and Reality" The new opening hours are:
Tuesday through Saturday from 9 a.m. to 7 p.m.
Up to 2. February 2002:
Tuesday through Wednesday 9 a.m. - 9 p.m.
Thursday through Saturday 9 a.m. - 7 p.m.
on Sunday all our exhibitions, including the usual from 10 a.m. to 5 p.m.
- **Informations in French (PDF-file)**
- **Informations in Dutch (PDF-file)**
- **THE CATALOGUE**
- **Links**
- **EXHIBITION PLAN**

In the 8th century B.C. the poet Homer's 'Iliad' and 'Odyssey' grand epics, marked beginning of Western literature. Ever since has characterized more than just a city Asia Minor. As a legend it has captured imagination for over centuries and could refer to by artists, poets and writers. In 1998, Troy was included in UNESCO's 1 Cultural Heritage Sites.

For the first time an exhibition has been

An exhibition in Germany based on the last 15 years’ new archeological discoveries at the site of Homer’s Troy, has met an astonishing response: 700,000 visitors in two months; the exhibition extended two more months and open 12 hours every day; and scholarly arguments re-ignited over the re-confirmed historical truth of Homer’s Iliad.

IV, and then the Troy VI and Troy VII sung by Homer.

The second time around, one already locates more clearly the northeast bastion, and the south tower of Troy VI, which perhaps is the one which Homer called the “skäa gate” in his songs. The last meeting between Hector and Andromache comes to mind, and suddenly one also becomes aware of the constantly blowing wind. When one assimilates to this the landscape of the Troad, looks over the Dardanelles and down from the steep cliffs upon the inlet bay of the old harbor, and to the hill of graves of Hellenic times—only then is one really in Troy.

Old Lady Troy Begins To Speak

When Manfred Korfmann began to dig in Troy in 1988, it had nothing to do with the old battles over Homer. He had already excavated at the Bosphorus Strait for several years, then for seven years had led a project very near Troy, which unearthed a burial ground at the old harbor of Troy (Besiktepe); and then, as an expert on Bronze Age Anatolia, he took the new excavations in hand.

When his team came to Troy, their priority was the solution of an archeological paradox which had arisen directly as a consequence of the older excavations at Troy; and especially the fresh determination of a dating system which had fallen

Greece and Anatolia in the 13th Century B.C.



This German-language map shows the approximate era of the Trojan War. The maritime city of Troy (“Troia”) and its surrounding area (Hittite “Wilusa,” Homer’s “Ilios”) commanded the important, and difficult, sea-trade passage from the Aegean Sea into the Black Sea to the north.

Heinrich Schliemann’s 19th-Century discovery of Troy here, first proved that Homer’s Iliad established the location of Troy exactly, and the cities from which it was attacked—shocking scholars who had dismissed Homer’s epic as “just poetry.” Since 1988, new excavations have again shocked the scholars by proving that Homer also precisely described the city’s large size, splendor, and fortifications. Some of the Mycenaean Greek cities which sailed against Troy had long disappeared when Homer lived, 5-600 years later; but Homer’s epic named and located them.

Other recent discoveries about the Hittite Empire (shaded northern area along the Black Sea coast), and its relations with the Mitanna kingdom (eastern side of the map) have shown that Troy was militarily allied with the Hittite Empire in that period. The Hittites had militarily subjugated Greek settlements in southwestern Anatolia, such as Ephesos and Miletos. These events are discussed in the second half of the present article.

out of joint (see chronology box). Beyond that there was the question, already posed by Schliemann and Dörpfeld but never since answered, whether there might be still another settlement below and around the strong-walled hill fortress of Troy VI.

Thus from the tasks laid out, it was certainly not expected that great discoveries were in the air; and the important question of chronology, though pursued through years of difficult work, is not directly of great interest to a broader public.

However, it was otherwise with the question of a lower city. The new method of *geo-prospecting* contributed decisively, particularly in broad fields such as those in the vicinity of the citadel hill which are partly in agricultural use, to finding out relatively quickly where it was most worth digging. The ground is gone over, square meter by square meter, with a magnetometer, which registers deviations from the natural ground caused by human building activity, down to a depth of about three meters. From this arises a sketch comparable to an X-ray picture, which yields to the specialist the first

important foothold.

This being done, it sprang immediately to the eye, that the excavators were dealing with an unexpectedly wide-area and systematically built Hellenistic-Roman period settlement; but it was yet more astonishing, that wherever soundings were made, they also hit upon an underlying layer of Troy VI below the Hellenistic-Roman settlement.

The work of 1992 finally achieved a picture, which appeared to show the course of a lower-city wall 400 meters south of the citadel wall. But by the ensuing excavation, something entirely different came to light: no wall, but rather a trench or moat of up to 4 meters width. Through several cuts and further geomagnetic measurements, this moat could be traced out to a length of 600 meters, so that an entirely new estimate of the city’s size had to be arrived at.

One could now proceed to the conclusion, that to the 23,000 square meters of Acropolis and fortified palace hill, a further 180,000 square meters had to be added for the surrounding city below; which corresponded to a resident popu-

lation of about 6-7,000 human beings, and placed Troy in the first rank of residential and trading cities of Anatolia.

Yet, in 1984, Frank Kolb, in his standard work *The City In Antiquity*, had written the following on Troy: “Troy VI and VIIa, whose chronological coincidence with the Troy of Homer can be questioned, were wretched little settlements, and could absolutely not raise the claim of deserving to be named cities.”

Such descriptions, and similar ones speaking about Troy as a “pirates’ nest,” must now be thrown overboard.

This ditch, of such notable extent, was hewn directly in the rock, about 4 meters wide, 1 meter deep on the side toward the plain and 2.2 meters deep on the city side; so that without doubt, an essential part of a fortification had come to light. This trench had the function, above all, of repulsing approaching war chariots. In the 12th book of the *Iliad* it is described as follows:

“So in the tumult Hector ran through it with great agility, and exhorted his horse to spring over the trench. But the steed would not dare this flying leap, and whinnied out loud, standing on the outermost edge; then it recoiled back from the wide moat—not narrow enough to spring over, nor easily passed through; for a steeply rising bank surrounded it on every side, and it was also implanted with sharp stakes above this, which Achaias’ son had emplaced, thick-rowed and strong, to repel the enemy. Hardly could a steed, harnessed to a wheeled wagon, go over it; footsoldiers only, if they were capable, zealously attempted it.

“But Polydamas, coming near to the defiant Hector, said: ‘Hector, and you, the mighty of Troy and your allies, it is folly to drive your swift horses through the moat.’ ”

The Maritime Troy

It was found, that in some few places the moat was not hewn out; but rather, in those places the rock remained, to a width of some 10 meters. There, it was thought, the city gates must have been found, for there, wagons could easily pass the moat and get through the gate of the city. In fact, a bit later the excavators were able to dig up, at one of these locations, a much smaller trench parallel to the moat and on the city side of it; the small trench was in turn broken precisely where the city gates would have been. Thus this small trench served as the foundation of a palisade wall, in the middle of which the city gate was found; and the large post-locks for the gates were actually found there.

The location of the trench and gates were now established; but a city wall would, in any case, also have to belong to such a defended position. It was not to be expected that the wall would be found immediately, for twice in the first millennium B.C., a new lower city was built, and one can well imagine that the stones of the old city wall would have been completely taken and used for that. Besides, the ground over the stones is often no thicker than 50 centimeters to one meter, so that from the beginning, it could be excluded that layers were built one on top of another.

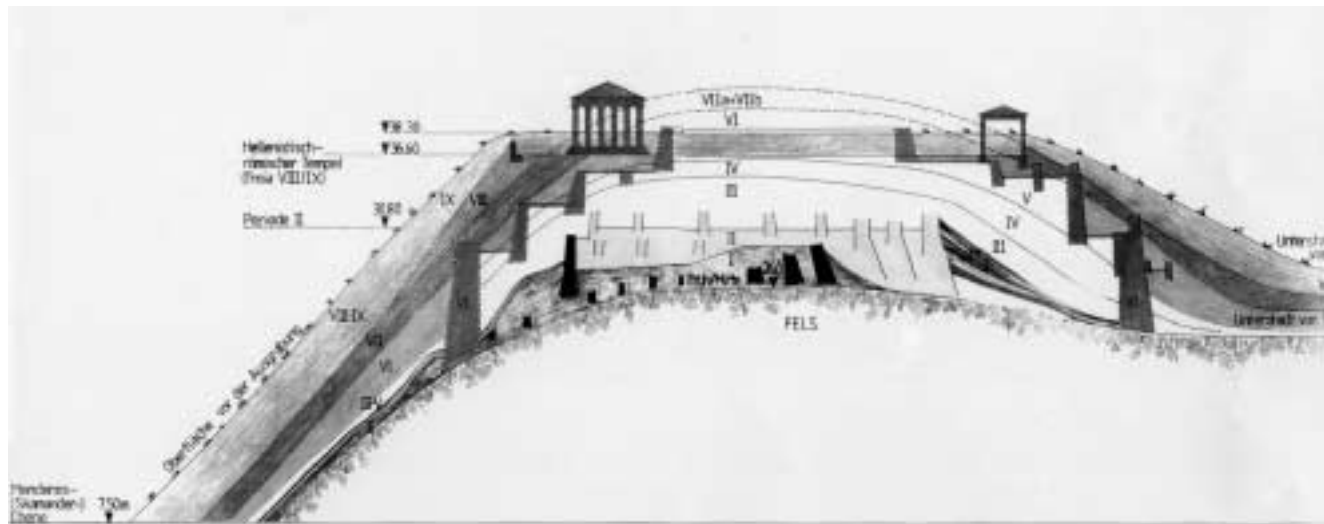


A clay signet or “wheel seal” of the Bronze Age, found at Troy in 1995; its owner occupied the high position of a scribe. The language was not, as expected, the “Linear B” of the Mycenaean Greeks, but rather Hittite.

Eventually, a piece of the old Troy VI city wall was found in an entirely different place; namely, directly at the citadel. It had been fitted in there, exactly abutting the wall of the northeast bastion; which made clear, that the lower city wall of Troy VI had, in fact, not been built as a later addition, but rather was there from the beginning. If one adds to this, that considerable stone foundations of larger houses, built next to one another in the lower city, were also exposed, then one gets an entirely different picture altogether, than that of a wretched and impoverished settlement. Moreover, at other places a foundation was found struck into the rock (similar to the palisade wall in the ditch area), which shows that the maritime Troy settlement (from about 2400 B.C.) already had

FIGURE 2

Many Settlements Lie in the Hill of Troy



A cross-section by the excavators of the different strata of settlement on the hill of Troy, where the citadel was first discovered by Schliemann. The earliest remains, “Troy I” of perhaps 3000 B.C., sit on the bedrock (“Fels”). Schliemann excavated the first important cultural period, Troy II; the so-called “maritime” Troy III-V of 2600-2400 B.C.; and Troy VI-VII, with huge walls and much wider extension, the high culture about which Homer sang, which ended about 1200 B.C., probably with general war and destruction in the region. Above these strata are the remains of Hellenistic and Roman settlements with temples.

a lower city surrounded by a wooden wall.

In the lower city was found everything that could be expected in a prosperous city of this period. Broad streets, fireplaces, ovens, and *Pythoi*, as the large earthen storage vessels were called. Moreover, some areas where craftsmen performed their trade—i.e., blacksmiths, potters, and textile workers. The discovery of more than ten pounds of shells of *Lapillus* snails (purple in color) collected in one general area, is extremely noteworthy, as it points to the existence of a dye industry. Ceramics, which were made on pottery wheels, acquired exteriors with many variations through the use of new firing techniques and decorative modes which in some cases imitated Mycenaean patterns.

Beyond this, horse training and breeding, as well as the construction of war-chariots, played a tremendous role. Treasure finds, such as those in Troy II, have not been made as of yet; however, the few uncovered valuables—such as jewelry made out of gold, silver, and bronze; pearls from carnelian and rock-crystal; or ivory combs—point to highly developed craftsmanship. The archeologists have also found that besides the large number of horses, there were also many herds of sheep and other livestock, including cows, goats, and pigs.

An extraordinary find, is the subterranean water supply system, which was situated to the west of the city, outside of the lower city wall, and discovered during the digs of 1997 and 1998. Homer mentions such a well outside the city walls. The existence of wells and other water reservoirs is common knowledge; however, now the archeologists have dug systematically into these cavities and come across some exciting

finds. From one 13-meter-long hub, three branches diverge outward, the longest of which was 100 meters long. Four shafts, which apparently served as wells, came out to the surface. Originally a little underground reservoir arose here, which was equipped with an overflow drain which connected it to the water in the outer reservoir. Even today, about 500 to 1,400 liters flow into the reservoir daily.

What time period are these subterranean reservoirs from? The assumption that this extraordinary system was created in the late Hellenistic or Roman era has been proven to be wrong. In a study conducted by the Heidelberg Radiometry Research Institute of the Academy of Science, a test of the iron of the site established a date somewhere in the third millennium before Christ. In the section below on Hittite research, the further importance of the subterranean waterways will be explained.

A Residential and Commercial City

Taken together, all the pieces of the “Trojan puzzle” point to a city of continual growth and one which, by its appearances and customs, was of the pattern of other Anatolian cities. Through its extraordinary geographical location alone, the probability of the existence of a noteworthy commercial city is high, given the knowledge that even in Roman times, the transport of goods by water was 60 times less expensive than that over land. Additionally, the exceptional water and wind currents at the mouth of the Dardanelles would have helped substantially.

The Dardanelles owe their special patterns of sea-currents



The way the layered cities of Troy, built on top of one another, look to the excavators today: Here, strata from Troy II, III, and IV are indicated.

to the strong northeast wind which blows straight through from May to October. Since the Black Sea disposes of a great inflow of fresh water from the rivers discharging into it, a freshwater flow with a depth of 17 meters rises in the Sea of Marmara in the direction of the Aegean. Underneath this flows strongly salt water in the opposite direction to the Black Sea. For the sailing ships of that time, which still had no keel, and therefore could not make any kind of headway against the wind, the entry and passage through the Dardanelles into the Black Sea would have been a difficult task. The current ran with the wind, and so one was often compelled to wait for weeks in the nearby harbor of Troy, until at last, under more favorable conditions, the journey could again be ventured.

Who will doubt that this harbor, already on these grounds alone, took on a special significance, and that Troy understood how to make use of this?

Just as the various treasure finds from the Troy II period, which extends from 2600 to 2400 B.C., so also the early use of potter's wheels and the early bronze productions, point to far-reaching trade relations which had already been fostered by the time of this maritime culture. The potter's wheel was known to have been invented in Mesopotamia; and the production of bronze requires tin, which had to be imported from Central Asia or Bohemia. Amber came from the Baltic Sea, scarce iron from the eastern and southern reaches of the Black Sea, textiles and carnelian from the Caucasus, and even lapis lazuli from Afghanistan. Later, when the land-bridge from Mesopotamia to the Black Sea was blocked (around 1700 B.C.), and Black Sea trade was carried out on this sea lane, the city of Troy was able to develop rapidly and eventually develop a high culture, which lasted for 450 years.

A Sign of Writing Emerges

In 1995 the first writing finally surfaced in Troy: a round, bi-convex bronze seal, furnished on both sides with Bronze Age characters. It is only 2.5 centimeters wide and 1 centimeter thick, bored through in the middle; a so-called Anatolian wheel seal, both sides of which could be used in practice. The inscription on one side says that its owner occupied the high calling of a scribe; and the other side was used by his wife. The characters were, contrary to some expectations, unequivocally not Linear B, but rather Hittite—a script which has only been deciphered in the most recent years. While Hittite cuneiform writing has been read since 1917, Hittite hieroglyphic (or Luwian) writing was only fully deciphered in 1997.

The seal found in Troy shows cuneiform writing in the outer ring and hieroglyphic signs in the inner. We will soon see that this astonishing find speaks in favor of a very long-lasting connection of Troy to the Hittite Empire.

The Hittites

In 1905, archeologist Hugo Winkler, commissioned and sent to Bogazköy, Turkey by the German Oriental Society, began archeological excavations there. Very soon he chanced upon an extensive clay tablet archive, which not only revealed to him that he was in the midst of the one-time capital city of the Hittite Empire, namely, Hattushash (Hatusa), but that he also held right in his hands a letter written in Akkadian from the Egyptian Pharaoh Ramses II to the Hittite King Hattusili III.

This writing reported on the just concluded peace treaty of 1269 B.C. between Egypt and the Hittite Empire, with

FIGURE 3

How Troy May Have Looked in Third Millennium B.C.



This computer reconstruction of the layout of Troy II was done by the University of Tübingen team excavating at the site since 1988. The pattern was already seen here, of an upper city (the “fortress hill,” or citadel) and a lower city, which at the later time of the Iliad, had some 7,000 inhabitants and its own surrounding wall and moat.

which scholars were already familiar from the hieroglyphic inscriptions on the walls of the Temple of Karnak.

In the course of the excavations, a good number of additional such clay tablets were uncovered, which still were completely unreadable, because they were written in the, in 1905, as-yet undeciphered language of the Hittites. Although this Indoeuropean language would be deciphered in subsequent years, nonetheless until the present day only a very few experts exist who are able to read it; thus, the tablets unearthed in 1912 still have not been fully evaluated. In spite of this, and from additional archeological digs, we now have an abundance of treaty documents, diplomatic correspondence, and historiographical texts from the earliest antiquity of the Hittite Empire—about which we previously knew next to nothing, but which has become possible to reconstruct before our eyes. Thanks to these and a number of other Egyptian sources, we now are familiar with the political geography of western Asia Minor, and even now know that Troy really is Troy.

Besides the political geography, the Hittite source materials likewise also give us a first glimpse into the political and military negotiations of the 13th Century B.C. Of course, at the present time it were purely speculative to hope to settle the issues concerning the Trojan War that has come down to us through Homer. Nonetheless, the presently available source materials already do lend themselves to entirely reasonable hopes that this will be possible at some future point. For this reason we can agree somewhat more completely about the events of the 13th Century B.C. in Asia Minor.



The famous palace ramp of Troy II, as it looks today. At the upper end, Schliemann found what he called “Priam’s Treasure.” Later it was established that the walls and treasure date from Troy II, in the third millennium B.C.

On the Trail of the Trojan War

Since the 14th-13th Centuries B.C., the northwestern-most part of Asia Minor was called in the Hittite (a.k.a., the Luwian) language, “Wilusa”; or better, the Land of Wilusa. Prior to this it was called Assuwa, with a subdivision known under the name of Taruwisa or Truwisa. In Greek it was Troia (Troy) or Wilios; from which, in later Greek, since the “w” was no longer pronounced, it devolved to the designations used by Homer: Troia (Troy) and Ilios (Ilius).

The Land of Wilusa maintained strong diplomatic relations to the Grand King of the Hittite Empire. South of the Land of Wilusa lay Arzawa, which, by the 14th Century B.C., had advanced to such an important status that from an Egyptian viewpoint, it found its place in the ranks of the contemporary great powers: Egypt, Babylon, Mitanni (Mittani), and Hattuashash (Hattusa).

The southern part of the Aegean coast of Asia Minor, along with the city of Millewanda (Miletus) belonged to the zone of influence of the land of Ahhijawa (Achaea) with its seat upon the Greek mainland, whose power center, according to the newest discoveries, was located in Thebes.

As the Hittite King Mursili II (1318-1290 B.C.) perceived himself increasingly threatened by the expansion drive of Arzawa, he undertook a large-scale military campaign, which first led to the destruction of Millawanda (Miletus), then to the conquest of Abasa (Ephesus), and finally to the division of the Land of Arzawa into Mira, Seha, and Hallaba. The king of Ahhijawa took flight to islands (off the mainland).

Of course, it was fixed within the intentions of the Hittite central power in Hattushash, to secure its power within the conquered regions through the kings it had installed there. Power struggles within the old Arzawan families, as well as further unfolding of the drive for territorial expansion of

Ahhijawa, caused concerns for the future of military ventures all the way up to the Northern (Black Sea) coastal regions of Asia Minor. In correspondence, the Arzawan Prince Pijamarandu was described as particularly aggressive, probably also on account of the fact that he was assured of the support of Ahhijawa. Since finally he also threatened the northern Land of Wilusa, the Hittites had to come to the aid of the ruler there, Alaksandu.

These military interventions of the Hittites, to the advantage of Alaksandu in Wilusa (circa 1290 to 1272 B.C.), ultimately led to its annexation into the Hittite Empire.

From the unearthed clay tablets, extensive sections of the treaty by which King Alaksandu submitted his country to the status of vassalage to the Grand King Muwattalli II of Hatushash, can be examined. Within the detailed formulations of this treaty, indeed, were demanded immediate infor-

mation in connection with insurrections in preparation; the supplying of troops and war-chariots in case of a threat; and the surrender of fugitives, though no internal political interference or economic tribute payment are laid down. At the end of this treaty, for whose affirmation all the gods of the Land of Wilusa were invoked, there are named: besides the thunder-god of the army and Appaliuna, also the god of the subterranean waterway of the Land of Wilusa.

This remarkable mention of a particular representative god resident in the "subterranean waterway of the Land of Wilusa," refers to precisely the type of "waterway" discovered in 1998, and discussed by itself. Taken by itself, it would have already been extraordinary. That this underground waterway, only unearthed in recent years, should have already been known to exist there more than three millennia ago, is certainly of the highest interest.

The Problem of Chronology

Chronology signifies, quite generally, the ordering of historical subjects and occurrences according to time. Since prehistoric archaeology can only be traced back to written documentation in a very few cases, the modern methods of dating unearthed artifacts, based upon modern scientific discoveries such as radiocarbon dating, are very important. But these methods were only developed over the past 50 years. Before that, different methods had to be used.

Heinrich Schliemann (1822-91) developed a method, still valid up to the present day, with which it could be determined, how to order particular settlements chronologically, on the basis of the quality of clay and the decorative techniques employed. He used this method in his excavations at Troy, and it has been employed during all the digs there since that time.

The fact that the city of Troy had, for centuries, been built with clay bricks, led to what was, for archaeologists, an ideal mound, whose strata could be "read" as though leafing through a book. Unlike with stone or wooden structures, men did not use the construction material again and again, but simply smoothed down the remainder of the dilapidated sun-dried brick houses from one settlement, and built the new structures on top.

Based upon those centuries of stratified ruins, a chronological system was developed by Schliemann and his contemporary researchers, which became a reference system for all Europe. Since the Bronze Age was an age of dynamic trade and exchange, all possible objects dug up at all possible sites throughout Europe were dated with the

help of this chronological system.

In our age, of course, it was shown that these comparative methods led to such uncertainties that sometimes differences of up to 1,000 years crop up, which presented prehistoric archaeology with great problems.

The Thirteen Cities at Troy

Manfred Korfmann's objective, in addition to solving the issue of a lower city, was to come to grips with that problem. The development of new natural-scientific dating procedures for historical material, opened up entirely new possibilities. We name here the carbon-14 method; the measurement of thermoluminescence; the tree-ring method or dendrochronology; there are many more. With the help of old and new methods, the strata of Troy became completely determined, such that today we have a fundamentally improved reference system.

Thirteen distinct levels (ages) of settlement have now been identified at Troy, from Troy I—the oldest, and deepest remains. Troy VI-VII comprise the city of Troy of the Trojan War about which Homer sang. The following chronology applies:

Troy I: 3000 to 2600 B.C.

Troy II: 2600 to 2400 B.C. The Maritime Culture of Troy.

Troy III-V: 2400 to 1700 B.C. The Anatolian Culture of Troy.

Troy VI-VII: 1700-1200 B.C. The High Period of Trojan Culture.

Troy VIII: 700-85 B.C. Homer's time, to the Hellenistic Settlements.

The remaining top strata are from Roman, Byzantine, and Ottoman settlements.

—Andrea Andromidas

FIGURE 4

The South Gate of Homer's Troy



A computer reconstruction of Troy VI, showing the south gate, which is called the Skäa Gate in Homer's song. From the tower of this gate, one had a view across the open plains of the Skamander River, the plains on which Homer told of the ten years' battles taking place.



How the excavation of the same Skäa Gate looks today. The main road leading up to the palace can be seen, and on the left, the foundation of the south tower.

The Latest From the Research on Homer

In the second book (canto) of the *Iliad* we immediately encounter the so-called ship catalog which enumerates all 29 of the ship contingents that participated as units in the Trojan military campaign. The enumeration always proceeds according to the same pattern: First of all, the region is designated, and then the various locales which dispatched the combat units, with their champions, are enumerated. Then follows the name of the commander. Thereafter the number of ships is named and their respective troop strengths.

Altogether there were 1,086 ships with something like 100,000 men taking part. From the number of ship contingents alone, one can deduce something like a map of that period. Now, what is really remarkable indeed, is that nearly one-quarter of the places named in Homer's catalog could not—for the Greeks of the Eighth Century B.C., and thus of the time of Homer—be pin-pointed geographically, because there were no longer any settlements evident at those places. For this, there are two different possible explanations: Either Homer had invented these places, or, the designated names stemmed from an earlier epoch. What makes this actually even more fascinating, was that not a single individual locality on the coast of Asia Minor is named in the ship catalog, even though this region had long been colonized and settled by the Greeks of Homer's day and age.

Besides the sometimes strong tendency to consign such difficulties simply to the whims of poetic improvisation, nevertheless there are also always some, even among the experts, who argue that the ship catalog derives from the period of the Mycenaean high culture from the 15th Century B.C.

One fundamental consideration leading in this direction was the following: Who really was able to actually carry out such an enormous enterprise: to launch a flanking offensive of 1,086 ships from 29 regions? Who was in the position to unify the population of nearly the entirety of Greece for a common military objective? For the time after the collapse of the Mycenaean palace cultures, the age of the so-called "dark centuries" between 1200 and 800 B.C., not a single such great enterprise is conceivable. But even afterwards, at the time of Homer, one can certainly demonstrate individual colonization voyages, but not invasion expeditions.

In contrast to this, the time of Mycenaean high culture in the 15th Century B.C. was entirely different. At that time, Ahhijawa (Achaea) was itself an acknowledged great power throughout the Mediterranean, and was very much in the position to carry out such a major undertaking itself. Finally they had already conquered the influential Crete, whose fleet they had thereafter excluded from the southern Mediterranean.

An expeditionary invasion force of this magnitude was thus only conceivable for this period.

A further indication in favor of the transmission from distant past ages, is given by the ship catalog itself, which conforms in its manner of enumeration entirely to that of the Mycenaean registry practices. All heretofore-discovered Linear B tablets exhibit this bureaucratic official language, which is also presented to us in all the detailed records which give information about crop yields, livestock herd sizes, lists of persons in genealogies, lists of deaths, etc. On this account it is conceivable that the lists of all the troop deployments of all the Greek warship contingents belonged to the very beginning of the Trojan War history; were recorded innumerable times in the most varied poetic cantos; and in this way passed down into the *Iliad* as well.

Thus, a lot of things already spoke in favor of the idea that



In the foreground is what remains of the huge citadel wall of Troy VI; behind it, the rising wall of what is called the palace house. It was a two-story house with a very large foundation of stone topped with several meters of sun-dried brick.



*The "Schliemann ditch." Having found the location of Troy with the *Iliad* in his hand, Schliemann was convinced that he would have to dig down to the bedrock to find Homer's Troy. What he found instead, was the more-than-1,000-year earlier Troy II. Later, he regretted having damaged and destroyed strata in between.*

Homer's catalog of ships stems from the Mycenaean epoch. Then, in November 1995, a wonderful discovery was made, which corroborated this hypothesis. During construction work carried out in the center of the city of present-day Thebes, the third-largest Linear B tablets discovery yet found in Greece, was discovered: 250 tablets, which originated from a palace archive of Cadmus. Among the many tabulated place names in the Thebes of that time, it was found that three places named in the ship catalog of the *Iliad*, were now also named in a list of troop enrollments of the Boeotians; and were among those that had been completely unidentified up until then: Eleon, Peteon, and Hyle.

From these tablets the location of Eutresis also was found, about which precise information was already known from archeological digs: namely, that it existed between 1300 and 1200 B.C., after which it had been completely destroyed and was not to be resettled until 600 B.C.

This discovery beautifully confirmed that these place names in the *Iliad* were in no way merely invented, but rather belonged to Mycenaean times and to the domains of Theban noblemen, which even more evidences Thebes to have been the center of power at that time.

Hexameter

Of course the question is now posed: How could the Trojan War's history, if it did actually originate in Mycenaean times, have been transmitted across so many centuries, and especially through the "dark centuries," all the way down to the time of Homer? For a long time this was thought to be inconceivable. More recent investigations in the science of philology, about which we cannot meaningfully digress at this point, show, however, that this were possible through the use of the hexameter poetic verse as a special method of tradition-transmission of the Greeks.

The *Iliad* is comprised of 15,693 hexameters, and not a single verse deviates or breaks out of this rigorously composed poetic meter. This rigor goes so far with Homer that from time to time, in order to preserve the meter, he alters the idiom. A long time ago it had been discovered, that to the basic artistic craftsmanship of the ancient bard belonged a whole series of "standing epithets" (stock expressions or bywords) which he used, and which had been passed down over generations. Expressions like: "the rosy-fingered dawn," "long-suffering god-like Odysseus," "stout-hearted runner Achilles," must have been utilized within the living recitation, with the aid of learned rules of combination, such that the corresponding poetic metrical conditions were fulfilled.

The philological research of the last 20 years has now discovered, that many of these exact standing epithets actually stem from the 16th Century B.C. It is particularly striking, that verses of this type, that have been passed down to us in their Homeric dialect, sound wrong; and that even through rhythmical changes these anomalies still cannot be eliminated. At first, it was assumed that from time to time an error may have crept into Homer. Later, however, after the study of the Linear B texts was sufficiently advanced, the same word-sounds were translated into the Greek of the 16th Century B.C.; and, lo and behold, the verse sounded perfect!

This example also shows that the transmission-tradition among the Greeks reaches back to the Mycenaean period.

From this new knowledge which we have acquired from archeological digs, from research into the Hittite Empire, and from Homeric research, we must draw the conclusion that Homer has again emerged, to challenge us.

Bush's State of the Union: Army Marching Into a Swamp

by Carl Osgood

President George Bush, rather than dealing with the 800-pound economic gorilla sitting in front of him, was advised to concentrate his Jan. 29 State of the Union address on foreign policy confrontation, and to downplay the financial and economic collapse. The speech dwelled entirely on the war on terrorism, homeland security, and "jobs." Polls are telling Bush that because of the war on terrorism, his popularity is sky high, but he is vulnerable on the economy and the Enron scandal, where polls also suggest that many people believe that the White House is hiding something. The President has a "Watergate" vulnerability on Enron, which some Democrats want to use. His strategy seems to be to deny the economic reality with talk of military strength and war.

The new "Bush doctrine" will create problems in Russia, China, and across Asia. Its military folly projects wars worldwide, which other nations should support because the United States is waging them. Its economic folly is that there is no way to pay for these wars.

The President extolled the accomplishments of U.S. military operations in Afghanistan and "elsewhere," including the Philippines. He praised Pakistan for being among those nations that are acting "forcefully" against terrorism, and threatened those that are "timid." He named North Korea, Iran, and Iraq as constituting an "axis of evil, . . . arming to threaten the peace of the world" by seeking to acquire weapons of mass destruction.

Bush's confrontational stance is to be backed up by what he described as the largest defense budget increase in 20 years: \$48 billion, a 15% increase, for fiscal year 2003. Of that amount, \$38 billion is an outright hike, with the remaining \$10 billion to be held in reserve for overseas military operations. The total FY 2003 defense budget, not including the reserve, will be \$379 billion, the largest in history and

dwarfing that of any other country.

Alongside the war on terrorism, is what President Bush described as a "sustained strategy" for homeland security, focussed on countering bioterrorism, providing emergency response capabilities, improved airport and border security, and improved intelligence. That strategy calls for another \$38 billion budget, including \$11 billion for border security.

With Federal and state tax revenues both having fallen rapidly all year, the President was whistling past the graveyard: "Our budget will run a deficit that will be small and short term so long as Congress restrains spending and acts in a fiscally responsible way."

A Method to Greenspan's Madness

A clear sign of this looming budget blow-out is the recent turnaround in the outlook of Federal Reserve Chairman Alan Greenspan, who addressed the Senate Banking Committee one day after budget deficit estimates were given by the Congressional Budget Office. After remarks that were interpreted by the financial markets as "pessimistic" a couple of weeks before, Greenspan told the committee, "There have been signs recently that some forces that have been restraining the economy over the past year are starting to diminish and that activity is beginning to firm." Greenspan waxed optimistic regarding the budget picture.

One City of London source told *EIR* that "there's certainly method to [Greenspan's] madness." He suggested that Greenspan is urgently trying to talk up both the bond and equity markets. His talk of economic recovery is to keep the bond market from sinking, and he must support the \$48 billion increase in defense spending. "To do that," he said, "would require running a huge government deficit. That's why the bond market is so important, to provide the inflow for this."



President Bush has been moved away from the partnership with President Putin, established at their Crawford ranch meetings: Administration policy has been swung toward military confrontations, driven by electoral polls, and the economic crisis and the desire to deny it.

Interest rate *increases* may be necessary. This source suggested that the reason for the meeting Bush had with Greenspan, on Jan. 7, “may well have been, how Greenspan had to tailor his verbiage, to meet the administration’s needs.”

Relegated to third on the list of priorities in President Bush’s State of the Union, was the domestic economy. Bush summed up his economic security plan in one word, “jobs.” However, all Bush proposed was the usual mish-mash of ideological nostrums, including another tax cut; the GOP’s (Enron-crafted) energy plan, passed by the House last year; its free-trade bill, also passed by the House; and more welfare reform.

Stimulus Measures Falter

While Bush called on the Congress to pass an economic stimulus bill, Greenspan’s remarks to the Senate Banking Committee seem to have dampened enthusiasm for such measures. In response to a direct question from Sen. Chuck Hagel (R-Neb.) on a so-called economic stimulus, Greenspan declared, “Fortunately, it turned out that we didn’t need that particular insurance” for the economy.

While Senate Majority Leader Tom Daschle (D-S.D.) did bring a minimalist sort of bill to the Senate floor for debate that day, the debate this time has been lackluster. Daschle’s stated intent was to “move the process” by bringing up a bill that had only components that both sides had already agreed on, and leave it open for the amendment process. With the Senate’s light schedule following the State of the Union address, further action is not expected on the bill for at least a week.

The Democrats’ response to Bush’s speech, delivered by House Minority Leader Richard Gephardt (D-Mo.), was to call for a similar, if more politically liberal mish-mash of measures. These include raising the minimum wage, creating a “universal pension system,” and Democratic “values,” such as helping the unemployed and making sure senior citizens don’t have to choose between putting food on the table and paying for their medicines. Gephardt also took a swipe at Bush’s proposal to add personal retirement accounts to Social Security, saying, “Our values call for protecting Social Security, and not gambling it away on the stock market.” Gephardt also called for the passage of campaign finance reform, with a not-so-veiled reference to the Enron scandal. “If the nation’s largest bankruptcy coupled with a clear example of paid political influence isn’t a prime case for reform,” he said, “I don’t know what is.” Otherwise, Gephardt fully endorsed Bush’s war on terrorism.

An Obvious Catastrophe

LaRouche summarized the impact of Bush’s speech as an obvious catastrophe. By singling out North Korea, Iraq, and Iran, the United States will create problems for Russia and China. South Korean President Kim Dae-jung has already reacted with dismay, telling his cabinet on Jan. 30 that “our economic future depends on North-South relations.” Attacking Iraq would be ironical, because the Iraqi National Congress, the Lonson-based hodge-podge of a political opposition, cannot even pass an audit, much less prepare itself for military action. An attack on Iran will have the effect of weakening the Khatami government and strengthening the ultra-conservative Islamist opposition, who already view the United States as “the Great Satan.” As for the Russians, they will make the connections linking Bush’s speech, with their finding that Russian “oligarch” Boris Berezovsky is supporting the Chechen uprising, with Carter National Security Adviser Zbigniew Brzezinski’s sponsorship of the Chechen rebels. Brzezinski and his “clash of civilizations” faction are pushing the Russians to react quickly, and they may very well mobilize a big patriotic rally, and it would be a big mistake for Bush to push them in that direction.

Already one year ago, LaRouche accurately described the nature of the incoming Bush Administration. He said, during a Jan. 20, 2001 interview on Philippines radio, that “the policy behind what the new government ostensibly represents, is the specter of a poor army marching into a quicksand swamp . . . it may have very clear intentions; it may be the most powerful army in that location; but what is it going to do in a quicksand swamp? The quicksand swamp is the collapse of the world financial, monetary, and trade system.”

Ominous Turn in Bush Administration Policy

by Jonathan Tennenbaum

A “doomsday” mood, like that which dictated Warsaw Pact “blitzkrieg” planning in the 1980s,¹ has evidently seized a “hard core” among the Anglo-American financial interests, the backers of Samuel Huntington, Paul Wolfowitz, Henry Kissinger, and Zbigniew Brzezinski. Faced with the accelerating disintegration of their entire system—as symptomized by the latest, unprecedented wave of mega-bankruptcies, defaults, and corporate scandals in Wall Street and elsewhere—they are preparing to plunge the planet into what could become decades of generalized clash of civilizations warfare and chaos.

This is the background to President George Bush’s Jan. 29 message to Congress, to the declared intention to launch a massive U.S. military buildup; the declared targetting of Iraq, Iran, and North Korea; and the disastrous foreign-policy shifts by the Administration in recent weeks. Meanwhile, Huntington and other spokesmen for what Lyndon LaRouche has called the policies behind the Sept. 11 military coup attempt, have stepped forward in unprecedented fashion, to proclaim the establishment of a new, Anglo-American “world empire” as the goal of the “war against terrorism.”

Viewed by the rest of the world, the tone of triumphalism brings up memories of the late Erich Honecker, reviewing the pompous East German military parade on the 40th anniversary of the G.D.R.—just weeks before the collapse of his communist SED regime and the fall of the Berlin Wall! Hence, LaRouche’s recent, thought-provoking question: “Is George Bush the Erich Honecker of 2002?” While apparently rising toward the pinnacle of undisputed world power, Huntington’s Anglo-American empire is in reality hopelessly overextended.

It is fantasy to imagine that the collapsing U.S. economy could be revived by even a gigantic increase in military spend-

1. In 1992 the German Defense Ministry completed a detailed study of 52,000 internal documents recovered from former East Germany, related to Warsaw Pact military planning and preparedness. A summary of the results was published. The documents revealed an exclusively *offensive* orientation of pre-collapse Warsaw Pact military planning. The core of the planning was projection of a massive military thrust into Western Europe, the capture of Denmark and the Northern German state of Schleswig-Holstein within the first three days, and rapid penetration toward France. The use of low-yield nuclear weapons was an essential feature.

The documents showed that those, such as Lyndon LaRouche and *EIR*, who insisted that the Warsaw Pact offensive threat was increasing as the Comecon economies approached disintegration, had been correct.

ing. Apart from the ongoing financial collapse, the productive base of today’s U.S. economy is emphatically not what it was at the beginning of World War II, nor even in the 1960s at the time of the Vietnam War. The present, deindustrialized and downsized U.S. economy has no significant reserves of productive capacities that could be mobilized. Furthermore, the effects of decades of “dumbing-down” of the population through mass-media “entertainment” and other means, has left the nation with a depleted labor force, of which the major portion would be unable to operate modern industrial technology, without extensive education and a virtual cultural renaissance. Thus, the United States—especially under its present leadership—could never sustain the kind of economic and social strain which the intended military mobilization would place it under.

Ominous Signs

The analogy with the 1980s’ collapsing Soviet Union and its “doomsday” military doctrine, is thus by no means far-fetched. The economic weakness of the United States constitutes a major factor driving the dangerous, “flight-forward” mood of the cabal behind Huntington, Brzezinski, et al., and their desire to rely on a dangerous combination of threats, bluff, destabilization, and actual military force.

Among the most important features of the recent weeks’ shift of the Bush Administration:

- The largest increase in the Defense budget in two decades, with the evident intention to carry out a substantial military buildup. U.S. military doctrine is evidently being revamped toward the potential use of new, “precision” nuclear warheads in tactical battlefield and anti-missile defense applications, as part of a “New Triad” consisting of: a) offensive nuclear weapons; b) so-called “active defense,” or preemptive strikes worldwide; and c) expanded military infrastructure around the world and in space. At the same time, a major effort to militarize the United States itself, as symptomized by the doubling of financing for the paramilitary “Homeland Defense” and the unprecedented plan to set up a special military command for U.S. domestic territory.

- The virtual declaration of war, in Bush’s Jan. 29 address, against Iraq, Iran, and North Korea, with additional threats directed toward the Philippines and other sovereign nations. This is intended—whether Bush understood this himself or not—to provoke the maximum possible counterreactions from those countries, destabilizing the corresponding regions. This includes, not least of all, a potentially disastrous blow to South Korea and to the stability of the entire East Asia region, including China.

- The abrupt abandonment of any pretense to seeking a just settlement in the Middle East, while instead giving the green light to the push by Sharon and the Israeli Defense Forces (IDF), to go ahead with their plans for a “final solution” against Yasser Arafat and the Palestinians. This, even as proof has surfaced in the Israeli press itself, that leading Israeli military officers are explicitly conscious of the similarity be-

tween their *modus operandi* in the Palestinian areas, and the German Nazis' destruction of the Warsaw Ghetto.

- The evident intention to drop the “strategic partnership” with Russia, of the sort that Putin and Bush began to develop in the wake of Sept. 11. The deliberate undermining of that partnership is *prima facie* evidence for a deadly influence of the coup-plotters within current administration policy. The new crisis in U.S.-Russian relations involves an array of elements. These have been emphasized, in discussions with *EIR*, by a number of well-informed Russian observers.

Betraying the U.S.-Russia Partnership?

The new U.S. “hard line” in strategic arms negotiations is linked to U.S. intentions to drastically upgrade the effectiveness of the projected antiballistic-missile (ABM) defense system. This would be involve equipping ABM interceptor missiles with low-yield nuclear devices. If this were done together with the planned, drastic reduction of nuclear offensive arsenals on both sides, the United States could theoretically launch a first strike, destroying 80% of Russian offensive missiles on the ground, and then destroying the small Russian retaliatory strike by nuclear-tipped interceptors and other means.

Add to this, the sudden American insistence on not eliminating, but merely storing, the U.S. nuclear warheads proposed to be taken out of service. The Russian reaction, is to ask why—if the United States and Russia are supposed to be friends, and the probability of a U.S.-Russian nuclear confrontation practically zero—is the United States moving toward a first-strike capability?

Secondly, recent meetings of Chechen separatist emissaries with U.S. State Department officials, organized and publicly flaunted by Brzezinski personally, are seen from the Russian side as contrary to explicit or implicit understandings between Putin and Bush. At the same time, Russian observers point to the evident protection given to Russian “oligarch” Boris Berezovsky—recently accused by the head of the Russian FSB of having directly financed the Chechen rebels—by U.S. and British intelligence. Berezovsky, from his London base, has repeatedly and openly threatened Putin.

There is evidence of preparation for a long-term basing of American military forces in Central Asia, despite official U.S. denials. And Russian sources cite indications in recent World Bank documents, of a drive to push down world oil prices to as low as \$12 a barrel. This would create a disaster for Russia's financial situation.

All of this together means not only a crisis in U.S.-Russian relations, but also a great weakening of Russian President Putin himself, who took a major strategic risk in attempting to forge the partnership with Bush in the first place. As a result, there is a growing view in Russia, that Putin, in attempting to maintain the partnership with the United States, “is selling Russia down the river, just as Gorbachov did.” A destabilization of Putin's Presidency is itself an included goal of Brzezinski and his backers.

LaRouche's Advice to Black Elected Officials

During his Jan. 24 webcast, U.S. Presidential pre-candidate Lyndon LaRouche answered a question by a member of the Congressional Black Caucus.

Q: Mr. LaRouche, what would you say, is the appropriate course of action for African-American elected officials, in speaking out against the clash of civilizations, as well as the increasing abandonment of any commitment to the principle of the General Welfare, without appearing to be soft on the question of terrorism?

LaRouche: Well, see, this is a typical problem. We just have celebrated, presumably—those of us who are in a position to do so—just celebrated the anniversary of Rev. Martin Luther King.

Now, what happened, is that, when Martin died, the Civil Rights movement almost died. The veterans existed; but the Civil Rights movement existed as an organization of *veterans* of the Civil Rights struggle. Other issues took over. Why? Because the leaders around King, were not like King: King was really a Christian! You have a lot of preachers in this country, but not so many real Christians. King believed in mankind. He believed, as he said in the speech on the mountain top—the question of the mountain top. He believed, that he had to put his life on the line, for the sake of a *purpose for humanity*, and that the African-American leader must struggle *for humanity*, not so-called “black interests” first. Because, when you struggle for humanity, you become a representative of humanity, and you have *the power* of being a spokesman for humanity. Not of special interests. And, when you come from an oppressed group, *and you represent all humanity*, you are more powerful than otherwise. Because you are capable of rising above the *littleness*, the piggishness, which most people have about the idea of self-interest.

King had that! King united and inspired people, with love, in his policy, his works. Those who tried to succeed him *could not do that: They were too selfish*; they were too small, in their minds. They were too concerned about things that were small—that King kept them from spoiling the job, while he was still there. He would bring them to a higher level. And, there were a few people around King, who represented that—as my friend, Amelia Boynton Robinson, says: The key to the Civil Rights movement, in its hardest struggles in the South, were some of the have-nots. The people who thought they had something, thought their interest was in *what they had*. The *have-nots* thought their interest was in *what nobody had*: real freedom. A decent society. And, they fought. And the

people who wouldn't fight for Civil Rights, were the people who didn't want to put at risk what they thought was their special interest. And, that's the key to this problem.

The problem with the Congressional Black Caucus—it comes under tremendous pressure, from an African-American community which is morally demoralized. It does not believe in what Martin Luther King represented; it's very nice that they celebrate his memory, once a year. But they do not believe in what he represented, in point of fact, as I know it! And as other people know it! And, African-American leaders of conscience know that. They know that's true.

And, sometimes, I feel like the real African-American leader. Why? Because I believe in what King believed in. That's the way you have to *be*. And, if you're that, you represent everybody! You care about everybody! You care about what is in our common interest. And, the most beautiful thing, is to have someone who comes from a stratum which is oppressed, who stands up, and says, "Well, I'm oppressed. I know about oppression: I'm one of the oppressed. I'm not the most oppressed, but I'm one of the oppressed. And, I constantly have to watch out that I'm going to be victimized, because there are racists around, who hate us. But, I'm not going to play that game. I'm not going to wear that bag. I'm going to be a leader! And, then people will have to *respect* what I am! And they will have to respect the *people*, from whom I come; because I'm that kind of leader."

I mean, one of the greatest things that happened with King, was King himself. King *was* the movement. Now, every great leader of a true social movement, has that character. They become the personification of the movement. And the love and respect that they evoke, inspires people; and the movement succeeds. Think of Johnson. Think of Johnson in 1964, with the Civil Rights Act, including the Voting Rights Act—which the Democratic Party crushed! And, some African-American Black Caucus leaders went along with that! Tolerated it! How did that happen? How did Johnson, President Johnson (he was not the worst guy in the world), but how did Johnson come to that hard decision, not only for the Civil Rights Act, but for the Voting Rights Act? How did he come to that decision, that year? For which he was bitterly hated! And which denied him the chance of being reelected President—if truth be known. Because *King* inspired love. King represented the best quality of the American, and a President had to recognize, that someone who could take oppressed Americans, and lead them, the way King had done, and inspire others—you can't deny that, because that's like denying everything good in yourself. So, that's the difference.



"King was really a Christian! King believed in mankind," said LaRouche. "He believed, that he had to put his life on the line, for the sake of a purpose for humanity, and that the African-American leader must struggle for humanity, not so-called 'black interests' first."

Don't Be Small-Minded!

You know, I've had my fight with the Black Caucus people, on just this issue. I've had fights again, with Civil Rights organizations, repeatedly, on this issue. Don't become small-minded! Look at the world: Look at what's happening in Indonesia; look at what's happening, all over the world. Don't tell me how bad your problems are. I know how bad they are, better than you, perhaps, because I'm an economist. Let's talk about what we have to do to *change it*. And to build the kind of system, in which this oppression no longer exists. And, *above all*, to build the kind of society, in which people *love one another*, in which this kind of thing doesn't go on. And, that's where the problem lies.

And you guys, in the Caucus, *you've got to come up to that level!* You've got to think about King, with tears in your eyes, and say, "Have we lived up to that standard?" And, do we turn to the people who tell us we're their leaders; do we turn to those people, and say, "You want to lose? Play the game of 'my little community' and 'my little special interest.' Be the kind of guy, who says, 'I don't want freedom: I just want reparations!' And you lose!" And that's how the losses have occurred.

So, I'm tough on African-American leaders for that reason. Because, what King gave us, like Frederick Douglass, earlier—in a different way, but a similar way: What they gave to the United States, by their courage, by their accomplishment, brought us closer to becoming our true selves, than we, as a nation, could have become otherwise. We've just got to stick to that program.

Aviation Security Still Faces Challenges

On Jan. 23, the House Aviation Subcommittee held its first oversight hearing since the passage of the Transportation Security Act late last year. While much work has been done toward making airline travel safer since the Sept. 11 attacks, the Transportation Department and the airline industry still have a lot of challenges ahead of them. Integrating explosive detection equipment into airport terminal operations and extending positive passenger-bag match to connecting flights, are two problems that remain to be solved.

Subcommittee Chairman John Mica (R-Fla.) reported that it is evident from a tour of European airports that he and Rep. Peter Defazio (R-Ore.) took during the Winter recess, that "integrating explosive detection equipment [for screening baggage] into the airport environment will be much more difficult and much more expensive than many people realize."

In response, Transportation Department Inspector General Kenneth R. Mead reported that because of the difficulties with baggage screening, the number of employees that the department will have to hire will be more than 40,000, well above the original estimate of 30,000. He said the primary driver will be the explosive detection machines, because "if the machine alarms . . . you're going to have to have somebody take the bag off the machine." Mead couldn't give precise figures for the cost, other than to say, "It's a lot."

James Oberstar (D-Minn.), the ranking member on the full Transportation Committee, expressed concern that legislation that "was a very targeted specific list of actions" is not being fully implemented by the Bush Administration. He noted that there's still no requirement for a positive passenger-baggage match for a connecting

flight, which Oberstar insisted could stop even a suicide bomber. Undersecretary for Transportation Security John MaGaw admitted that the match was not being done for connecting flights, because it was too much to undertake both that, and matching for originating flights, at the same time. Oberstar called this failure the "Achilles' heel" of aviation security, and encouraged MaGaw to "vigorously work on that aspect of security."

Bush Meets With Hill Leaders on Medicare

On Jan. 28, President George Bush emerged from a meeting with members of Congress and Secretary of Health and Human Services Tommy Thompson, and stated, "We need a comprehensive reform plan that includes prescription drugs for every senior." Bush added that Medicare needs to be "relevant for seniors today and for tomorrow," but the system as it currently is, is not.

Twenty minutes later, Thompson, accompanied by several members of Congress, fleshed out some of the details of Bush's latest package. He said that the package includes \$190 billion for Medicare reform, to include prescription drug benefits, and another \$77 billion for states to supplement Medicaid to provide prescription drug coverage for that plan. As for the difficulty of getting anything done in an election year, Thompson said, "We have to do it when we can do it. It needs to be done now, and we should address it as soon as possible."

Sen. Charles Grassley (R-Iowa), one of the participants in the meeting, said that Congress can move forward on Medicare, this year, because, last year, \$300 billion was set aside in the budget resolution for Medicare reform, and then policy was debated for an entire year. "So," he said, "we'll be

able to move ahead now on policy . . . to get a very good program for seniors for prescription drugs."

Other participants in the meeting included Sens. Olympia Snowe (R-Me.), Bill Frist (R-Tenn.), Orrin Hatch (R-Utah), and John Breaux (D-La.), and Reps. Billy Tauzin (R-La.), Bill Thomas (R-Calif.), and Colin Peterson (D-Minn.).

Campaign Finance Reform Petition Gains Majority

On Jan. 24, a discharge petition designed to force campaign finance reform legislation to the House floor acquired the last four signatures required to bring it to 218, a majority of members of the House. Under House rules, when a discharge petition gains 218 signatures, the bill addressed by the petition must come to the floor. Marty Meehan (D-Mass.) and Chris Shays (R-Conn.), the co-sponsors of the bill, were jubilant, since the last four signers signed faster than they expected. The collapse of Enron, and the related revelations of Enron's political contributions may have forced the issue, but the petition already had more than 200 signers before Enron's collapse.

The legislation still faces an uphill battle, however. Once the bill comes to the floor, which could be anytime between February and May, it faces three substitutes and up to ten amendments, as many by opponents of the legislation as by supporters. Even if the bill does pass largely intact, it then goes to conference with the Senate, where some think it faces a "real struggle." Rep. Michael Castle (R-Del.), a supporter of the legislation, said that the issue of the conference is "whether or not those who would not want campaign finance reform are going to be able to scuttle it by some procedural trick or substantive vote or whatever it may be, so it does not take place."

Dangerous Nonsense on Enron

Now that the Rev. Jesse “Chicken Wing” Jackson has gone to bat for the poor, disinherited Enron employees—he is, after all, the author of *Money*, and in late years a great defender of Wall Street’s huddled masses—all parts of the Republican and Democratic spectrum seem to be poised for a season of political lying like Hell about Enron. There are two distinct, and dangerous, layers to the cover-up which is under way.

First, the crucial matter of economic policy.

Political campaigners who either supported the 1996 “Welfare Reform” legislation, or have chosen to ignore that reform’s disastrous effects on hundreds of thousands of low-wage workers laid off in the ongoing economic shutdown—to cite only one example—have now suddenly become politically passionate about the abused Enron employees. These employees work for one of the set of energy corporations which they knew—which everyone knew—was carrying out a morally and economically radical overturn in the productive system of this country, and looting other parts of the economy by charging outrageously high energy prices and in other ways. Most of them were tempted to cash in on this, through the skyrocketing of Enron’s stock price. Thinking they were getting unexpectedly, selfishly rich, they lost their pensions instead. Americans should see the lesson, that “my money, my house, my family” is not the basis of morality, knowledge, or economic policy. But now political campaigners, who for five years failed to take any action to stop the stripping away of health care and hospitals from millions of poorer Americans, or the consequent shortening of those Americans’ lives, are taking up Enron as a tear-drenched “pension reform” issue for the middle class.

The Enron scandal is an urgent national economic policy issue, and nothing else. The political campaigners among Congressional Democrats and Republicans will not touch the obvious truth of the issue, as it was made crystal clear in Lyndon LaRouche’s campaign for the Presidency throughout 1999-2000. They voted for changes to some of the nation’s most important economic regulatory laws, which were passed during the last Depression under President Franklin Delano Roosevelt, precisely to outlaw the looting of the economy by an Enron, as that looting was practiced by the energy

utilities of the 1920s. Or, they agreed to allow the energy regulation laws not to be enforced in the cases of Enron and other energy pirates, so that they could violate them and tear up the nation’s regulated energy grid. Derivatives contracts will not power an industrial process, or turn on the lights in your house. But Senators such as Phil Gramm (Tex.) on the Republican side, and equally, Joe Lieberman (Conn.) and others on the Democrat side, fought to bring on this disaster, by exempting Enron and other financial pirates from the regulatory laws.

LaRouche, in 2000 and 2001, demanded and politically organized for energy and industrial *re-regulation* to prevent mass bankruptcies; and he called for the bankrupting of Enron and the other pirates, as a national menace to be removed.

Now, there is no sane conclusion for the leaders of Congress to draw, but that they were wrong, LaRouche was right; and ram through energy re-regulation immediately, before the depression worsens further.

Their posturing over Enron as if it were “an accounting scandal” is a cover-up for their refusal to admit they were wrong, and to take that immediately necessary action. Both the Republicans and many Democrats are still up to the ears in the financial filth of the speculative pirates Enron led; their refusal to act now for thorough re-regulation, threatens further disasters for the workers and pension-holders they claim to be so concerned about.

The second layer of dangerous cover-up, may bear on even more serious issues of the policies of the United States. The tendency of some leading Democrats to sow the seeds of an Enron “Watergate” for President Bush, is fundamentally dishonest. They are putting forward no economic policy alternatives to the President’s failing economic strategy, but simply trying to wrap it up in a scandal with blackmail potential.

To the extent these Democrats may succeed in such a corrupt operation, the effect is to provoke a partisan competition in denying and avoiding the issues of economic collapse, attempting to draw Americans into military and imperial adventures. This is the objective of the clash of civilizations faction of Brzezinski, Kissinger, et al.; those behind what LaRouche has called “the policies of Sept. 11.”

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Adelphia Ch. 3
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- MODESTO—Ch. 8
Mondays—2:30 pm
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- PALOS VERDES
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- PLEASANT HILL
AT&T Ch. 1/99
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AT&T-Comcast Ch. 6
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Thursdays—11 am
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Adelphia Ch. 4
Tuesdays—8 pm
Thursdays—11 am

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Zajak Presents
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- KALAMAZOO
Thu-11 pm (Ch.20)
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FLORIDA

- ESCAMBIA COUNTY
Cox Ch. 4
2nd Tue, 6:30 pm

IDAHO

- MOSCOW—Ch. 11
Mondays—7 pm

ILLINOIS

- CHICAGO—Ch. 21
Mon., 2/18: 10 pm
- 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

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*
QCTV Ch. 15
- BURNSVILLE/EGAN
ATT Ch. 14, 57, 96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 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
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Mondays—7 pm
- NEW YORK
• AMSTERDAM
Time Warner Ch. 16
Thursdays—4:30 pm
Thu.—10:30 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
- MANHATTAN—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 am
- 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—TW
City: Ch. 3
Suburbs: Ch. 13
Fridays—8 pm
- TOMPKINS COUNTY
Time Warner
Sun.—9 pm (Ch.78)
Thu.—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
- WATERTOWN—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

NEW YORK

- ALBUQUERQUE
Jones Ch. 27
Thursdays—10 pm
- LOS ALAMOS
Adelphia Ch. 8
Sundays—7 pm
Mondays—9 pm
- TAOS—Ch. 2
Mondays—7 pm
- NEW YORK
• AMSTERDAM
Time Warner Ch. 16
Thursdays—4:30 pm
Thu.—10:30 pm
- BROOKHAVEN
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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
- MANHATTAN—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

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
Thursdays—1 pm
- PORTLAND
AT&T Ch. 22
Thursdays—6 pm
Thursdays—3 pm
- SALEM—Ch. 28
Tuesdays—12 Noon
Thu: 8 pm; Sat: 10 am
- SILVERTON
SCANAV Ch. 10
Alt. Tuesdays
12 Noon, 7 pm
- WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area

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
Thursdays—1 pm
- PORTLAND
AT&T Ch. 22
Thursdays—6 pm
Thursdays—3 pm
- SALEM—Ch. 28
Tuesdays—12 Noon
Thu: 8 pm; Sat: 10 am
- SILVERTON
SCANAV Ch. 10
Alt. Tuesdays
12 Noon, 7 pm
- WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area

OREGON

- CORVALLIS/ALB.
AT&T Ch. 99
Thursdays—1 pm
- PORTLAND
AT&T Ch. 22
Thursdays—6 pm
Thursdays—3 pm
- SALEM—Ch. 28
Tuesdays—12 Noon
Thu: 8 pm; Sat: 10 am
- SILVERTON
SCANAV Ch. 10
Alt. Tuesdays
12 Noon, 7 pm
- WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area

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
• MADISON—Ch. 4
Tue-2 pm; Wed-11 am
- MARATHON COUNTY
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