

EIR

Executive Intelligence Review

April 25, 2003 Vol. 30 No. 16

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Russia's Glazyev: Stop War by Dumping the Dollar
Clinton-Bayh Fight on War Shows Both Parties' Split
A U.S. Faction Wanted Iraq's Antiquities Looted

LaRouche in Italy Outlines Exit Strategy From War



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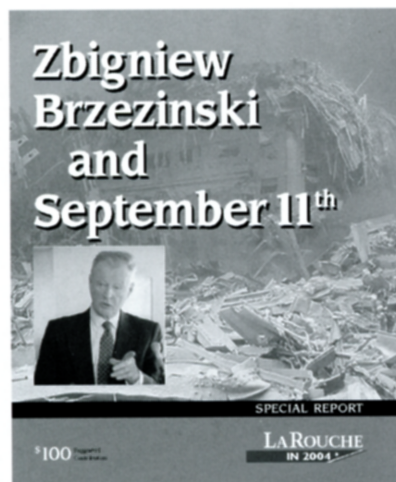
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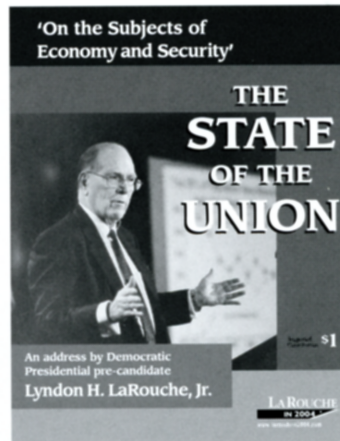
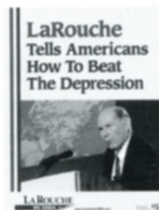
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*EIR (ISSN 0273-6314) is published weekly (50 issues)
except for the second week of July and the last week of
December, by EIR News Service Inc., 317 Pennsylvania
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)
543-8002. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.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

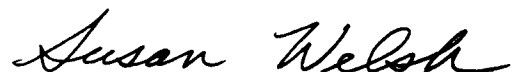
Some Americans, figuring that “the war in Iraq is over,” are hoping to return to “business as usual.” But remember Lyndon LaRouche’s warning, reported in the last several issues of *EIR*: *There is no “post-war” to this war.* Unless the Rumsfeld-Cheney cabal is removed from the Bush Administration, these utopian lunatics will wage *perpetual wars*, starting with Syria, and moving on to Iran, North Korea, and China.

In a statement on April 12, LaRouche offered President Bush the only possible “exit strategy” from this horror: Move immediately to implement a two-state solution to the Israel-Palestine conflict, with the needed economic investment to assure that it can succeed (see *International*).

This will require a “counter-coup,” to dump the “chicken-hawks” who seized power in the Administration in the aftermath of 9/11. As we document in this issue, if the President were to undertake such a purge, he would have widespread, bipartisan support domestically—including from Republican circles close to his own father; Democrats hostile to Sen. Joe Lieberman and his gangster friends; and from sane officers among the uniformed military, who rightly viewed the Iraqi adventure as a fool’s errand.

The President would also have overwhelming support from world opinion. The world’s nations—with only a few exceptions—are more than ready for such a policy shift, which would place on the agenda LaRouche’s call for a New Bretton Woods financial system. Study, for example, our *Economics* section: 1) the call by Russian economist Sergei Glazyev for dumping the dollar and moving toward a new global monetary system; 2) the proposal by Mexican engineer Manuel Frías Alcaraz for providing water to the Mideast, as the cornerstone of a peace policy; and 3) the drive by China to quadruple its economy by 2020, by developing its infrastructure and labor force—this, in a nation which now receives more foreign investment than any other country in the world!

LaRouche took his message to Italy personally on April 8-11, where he was received enthusiastically by a nation that could play a key role in Eurasian-Mideast-African development, should LaRouche’s “exit strategy” be implemented. See our *Feature* for a full report.



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Russia's Glazyev: To Stop War, Create New Monetary System

by Rachel Douglas

As the war in Iraq unfolded with shocking destruction of that country, Russian political figure and economist Sergei Glazyev took to the air waves with a bold appeal to nations opposing the invasion: Act now, to create a new monetary system. Glazyev's initiative is potentially of decisive importance for the Russian domestic political scene, as well as for shaping Russia's international policy in the wake of the Iraq war.

A corresponding member of the Russian Academy of Sciences and member of the State Duma (parliament), Glazyev has a decade-long record of opposition to the destructive policies of the existing international financial institutions and the private interests behind them. His 1998 book on the implementation of liberal economics in Russia is titled *Genocide*. It was Glazyev, who in June 2001 invited Lyndon LaRouche as the keynote witness at special State Duma hearings on the topic of protecting national economies under conditions of global economic breakdown. On several occasions, Glazyev has been summoned, together with a group of senior members of the Academy of Sciences, to brief President Vladimir Putin on ways in which Russian economic policy could be changed in the national interest.

Last year, Glazyev surprised the Russian political establishment by running a strong third in the election for Krasnoyarsk governor, where he campaigned on a program to restore economic sovereignty and industrial growth in Russia. Glazyev continues to receive major attention from the Russian media, as the Communist Party—on whose slate he runs, although he is not a member—is polling 31% in surveys of popular support, as against 21% for United Russia (“Yedro”), the so-called “party of power.” Parliamentary elections are coming up in December.

One of Glazyev's several media interviews during the Iraq war occurred on April 2 on Russian TV Channel 3. Glazyev rejected the notion, widely believed in Russia, that

“cheap oil” was the goal of the Anglo-American attack on Iraq. Rather, he said, the fundamental issue is the crisis of the global financial system: In Glazyev's terms, “the war is being waged in order to preserve the dollar's role as world reserve currency.”

Asked if Russia should dump the dollar, Glazyev replied that Russia's gold and currency reserves, albeit substantial and growing, “are insufficient to shake the unjust architecture of the world financial system.” There are, however, steps to take. He proposed that Russia “meet Europe half way,” by shifting from the dollar into euros and rubles; Russia's trade with Europe, at least, need not be denominated in dollars. Also, Russia could agree with other Commonwealth of Independent States (CIS) members, and with China and India, to denominate their trade in national currencies, instead of the dollar. If the ruble were used, he pointed out, the “revenue from cash issues” could translate into the equivalent of over \$20 billion, which could be used to finance the real economy in Russia.

Glazyev's most dramatic statement in the interview echoed the Schiller Institute's Bad Schwalbach Declaration, issued March 23. He said that countries using the dollar today are, in effect, financing the war against Iraq. “Therefore, if we want to stop the war, we should simply call on the countries that oppose this aggression, to agree to have their central banks jointly pose the question of shifting to a new world monetary system.” This would not mean “burying the dollar,” Glazyev elaborated, but undoing the U.S. actions of August 1971, which “terminated the dollar's convertibility into gold and began to impose [it] on the entire world by force.”

Sergei Glazyev made available to *EIR* for publication here, a longer elaboration of his analysis, valuable not only for the proposals it contains, but also as a window on how the latest U.S. actions are viewed in leading Russian patriotic circles.



Dr. Sergei Glazyev (center) conducted a press conference at the Moscow Press Center, before Lyndon LaRouche (second from left) addressed the Duma's Economics Committee which Glazyev then chaired.

Documentation

Economic Significance Of the U.S. Aggression

Here are translated excerpts from Dr. Glazyev's article. Some subheads have been added.

One widespread explanation for the U.S. attack on Iraq is that it is an attempt to lower oil prices, which would seem to pose a threat to U.S. economic prosperity. This analysis does not stand up to criticism. The United States could have controlled the supply of Iraqi oil to the world market without any military action, by using United Nations sanctions procedures. They could have relaxed sanctions at any time, or even ended all restrictions on the export of Iraqi oil, in order to bring world oil prices down. But far from everyone in the United States wants lower oil prices. Very influential circles, including the petroleum industry-linked Bush family and the entire [Republican] party in power today, are rather interested in high oil prices.

There is a belief that high oil prices undercut economic growth in the developed oil-consuming countries, due to raising the costs and reducing the profitability of production. Moreover, the inevitable rise of fuel prices raises the cost of living. This is the case, but only if oil prices exceed a certain sensitivity threshold for the oil-consuming sectors. The scien-

tific term for this level is "marginal cost of consumption." Above it, consumers of oil begin to experience losses and have to scale back production, pulling the economy into depression.

The marginal cost of consumption of any resource is defined by the technologies that dominate the sectors consuming that resource. On average, the marginal cost of consumption of oil is calculated at \$40/barrel for the technological development phase prevailing in developed nations today. If oil prices rise above that level, the economy is unable to adapt, within the limits of today's technological development phase; losses begin to surpass revenues, and production shuts down. . . .

But even had the Americans' intention been to block oil prices from rising above the marginal level, that would not explain their resort to military aggression. After all, the [Organization of Petroleum Exporting Countries] OPEC member countries had repeatedly stated their readiness to return prices to a stable level of around \$25/barrel. . . .

The United States had many means available to influence oil prices using political or economic pressure on producer nations. Russian oil industrialists, in particular, had declared their readiness to enter into a separate agreement with the United States, outside of OPEC. The U.S. leadership did not make use of such instruments of pressure, but, quite the contrary, by their actions provoked an uncontrolled rise of oil prices.

First, OPEC's signals of readiness to restrain oil prices to a level acceptable for consumers went unanswered. Second, pro-American politicians destabilized the situation in Venezuela, which consequently practically stopped supplying oil to the world market. . . .

Third, the attack on Iraq was preceded by a lengthy period of heating up international tensions, which provoked a sense of panic on oil markets. . . . Fourth, when seeking support from the Congress for this military adventure, the President of the United States said that one of his goals was to reduce the U.S. economy's dependence on imported oil, which completely contradicts the notion of a war for cheap imported oil.

Fifth, countries that suffer far more from high oil prices than the U.S.A. or Great Britain do, declined to join the Anglo-American coalition. . . .

To 'Shock and Awe' the World

Thus, the notion of a war for cheap oil is unsupported. Furthermore, careful analysis shows that U.S. actions achieved a rise in oil prices, rather than a reduction. Such were the economic consequences of the American aggression. Skeptics might reply that this is only in the short term, whereas in the long run prices will supposedly stabilize. To that I can answer with the well-known dictum, "In the long run we all shall die." It was none other than the United States that provoked the jump in oil prices, by escalating international tension.

What is the United States after, with this aggression? If not lower oil prices, then perhaps the goal really is to get rid of Saddam? But then we would have to admit that America is being run by crazy people, since to sacrifice hundreds of one's own soldiers and thousands of innocent Arabs for the sake of killing one man, and spend tens of billions of dollars on it, is clinical insanity.

Unfortunately, we don't know who planned this incomprehensible war with the strange code-name of "shock and awe." It is possible that the purpose was to shock the entire world community, making America's rivals quake. For the U.S. leaders are building a new Roman Empire, in which they imagine themselves to be the patricians, while everybody else is either plebeians (their coalition allies) or barbarians (those opposed). By unleashing this aggression, in violation of all the standards of international law, against the United Nations and even NATO, the U.S. leadership let it be known that anybody who acts against or impedes their interests will be subject to physical annihilation. The world should accept the fact that the Americans can do anything they want, while the rivals of U.S. capital should put their tail between their legs and relinquish whatever markets the Yankees are interested in. Otherwise, American corporate interests will be defended with an armed stick, which can strike at any time, in any part of the globe.

This is, of course, a weighty reason. But it is not the main one. After all, the U.S.A. had already demonstrated its ability to flout international law many times over. Their secret services, without any scruples, have carried out assassination attempts and even killed politicians for whom they had no use, and organized military coups in other countries. They had many opportunities to do the same thing in Iraq. Why rile

the whole world, when the same goal could be accomplished, using third parties and taking no responsibility? . . .

Serious undertakings are not done this way. Either the current American leaders are crazed, half-educated followers of the raving Brzezinski, or there are other, more weighty reasons. I don't think the U.S. establishment is so stupid as to embark upon adventures that are known in advance to be losing and expensive propositions. . . .

A War for the Printing Press

With this war, the U.S.A. is trying to address the critical problem of maintaining its monopoly as issuer of the global currency, which the U.S. dollar is today. Since 1971, when the American government ceased exchanging dollars for gold, they have forced the whole world to use their national currency as the world currency. This has multiplied their power many times over, since they have been able to appropriate revenue from cash issues on a world scale. More dollars are issued for circulation abroad, than for internal use. Since the dollar supply is 80% created against U.S. government bonds, this means that anybody using the dollar is effectively financing the U.S. budget free of charge. Therefore the Americans can wage expensive wars and terrorize the whole world; and everybody who holds or uses the dollar is paying for these "services."

The Americans are currently in a very difficult situation. Thirty years of printing dollars without restraint have created a global financial pyramid. Only 4% of the dollars in circulation are backed by U.S. gold and currency reserves. The currency's stability is entirely dependent upon the demand for dollars. Suffice it for someone to initiate the large-scale dumping of dollars, and an avalanche-style collapse of the dollar-based world financial and monetary system could begin, bringing with it the end of American economic dominance. It would immediately become evident that the United States owes the rest of the world over \$30 trillion, including around \$5 trillion owed by the U.S. Federal government directly. Under such a scenario, the inevitable bankruptcy of the U.S.A. would also create a difficult situation for all countries holding their reserves in dollars.

Having drawn the whole world into servicing the dollar-denominated financial pyramid, the United States cannot stop this process. Because they must constantly generate demand for the dollar in order to support it, they push others to endlessly refinance their old loans and take out new ones. As the financial pyramid expands, it becomes more and more difficult to do this, since in order for the dollar to be stable, the demand for dollars must grow more rapidly than . . . U.S. indebtedness.

With the world economy's entry into a structural depression, caused by the shift in technological development phases, the situation becomes even more severe, due to the contraction of demand for credit. Declining profits, as the growth possibilities of traditional types of production are exhausted, lead to crises on the financial markets. Losses on the U.S.

stock market during the past four years exceeded \$7 trillion, with similar processes under way in Europe and Japan. The volume of foot-loose dollars is growing worldwide, and they could descend on the U.S. market at any moment.

The jump in oil prices, which are denominated in dollars, temporarily tied up part of the surplus dollars. Signaling a structural change in the economy, it should lead to expanded demand for credits on the part of industry, which needs to assimilate new technologies and reduce its consumption of energy. The process of creating a new technological development phase will mean a growing demand for credits for new types of manufactures. But this takes time. Until a structural transformation of the world economy picks up steam and new centers of rapid economic growth emerge, they have to provide every possible incentive to increase the demand for dollars and block attempts at any large-scale dumping of dollars. That is why it suits the Americans to escalate international tension! . . .

Under the pretext of a crusade against international terrorism, the U.S.A. froze large dollar assets, belonging to Arab organizations and individuals. Building up its geopolitical influence on the wave of escalated international tension, the U.S.A. blocked the initiative by Asian countries to create a new international monetary fund, using their national currencies.

Finally, with the war in Iraq ratcheting international tension up another notch, the U.S.A. obtained yet another instrument with which to block attempts to dump the dollar—freezing the accounts of whole nations. Also, military spending is denominated in dollars, which promotes demand for this currency.

Thus, U.S. actions are quite logical: In order to avert their own bankruptcy, the weight of the global dollar pyramid they have constructed forces them to provoke ever new upward spirals of international tension. . . . They have defined their interests as worldwide. And they will defend them in every corner of the globe, declaring any country that attempts to escape from the American financial pyramid and the dollar domain to be criminal and terrorist.

Of course, such a course of events is not in the interest of Russia, nor any other country that would be independent. All the more so, insofar as the scale of the unsupported dollar pyramid is such that it becomes more expensive by the year to maintain it. And there is no guarantee that it won't collapse one fine day, whereupon everybody who uses dollars will lose a substantial portion of their savings. . . .

How to Stop the War

1) If the world community wants to rein in the aggressor and protect itself from the consequences of an endless fanning of international tension through the unleashing of local wars provoked by the U.S.A., it should abandon the use of the dollar as a world currency. It will suffice for the central banks of interested countries to reach agreement.

If critical mass is reached in the dumping of dollars (for

which even a few major nations, or even just all the Arab countries, would be enough), the American financial system will inevitably crash. The dollar will be devalued, dollars will be dumped worldwide, ultimately leading to the bankruptcy of the U.S.A. and making it impossible to continue the war in Iraq, or to dictate to other countries.

The cost will be losses for all holders of dollars, and the destabilization of the entire international financial system. The world community will have to institute a fundamentally new international financial and monetary system on an emergency basis, based on national currencies in proportion to the weight of each country in world economic turnover. Otherwise, they could introduce a new world currency, supported by international financial institutions and with restrictions, precluding its use for the special interests of one country or any group of countries. Russia could become a leader and organizer of the process of creating a new international financial and monetary architecture.

2) In any event, Russia should free itself from dollar dependency, sharply decreasing the share of dollars in its currency reserves. Russia should stop linking its own cash issues to the growth of foreign currency reserves, rather guiding monetary policy by the productive sector's demand for money. It should create mechanisms for financing investment in new technologies. It should reach agreement with the European Union, the CIS and China, on using national currencies in foreign economic accounting, and seek external convertibility of the ruble.

3) We shall not forget that the American President, while motivating the need for armed aggression, surprised many by citing the need to reduce U.S. dependency on imported oil and shift to new fuels, including hydrogen as a fuel. . . .

In the next year or two we have a unique chance to make an economic leap to a trajectory of rapid and stable economic growth on the basis of advanced technologies. In order to take advantage of these possibilities, we must restore and utilize in a literate fashion the state monopoly on the money supply, while returning to the state the right to manage rental income [from natural resources exploitation] and direct it into development, creating favorable conditions for a rapid growth of the next technological development phase. Then Russia will become a center of attraction for capital from all over the world, while ceasing to trade its national wealth just in order to keep its pants pulled up. Russia will restore the full range of functions to its national currency, making the ruble a full-fledged international currency, after which it will be possible to remove restrictions on capital flows without experiencing losses. Russia will preserve its independence and regain a worthy place among world leaders. . . .

One would like to believe that reason will triumph, and the Russian President will finally make a choice in favor of the national interest, replacing today's incompetent government with real professionals. They would be capable of accomplishing an economic miracle for the country as a whole, not just for a few families vested with power.

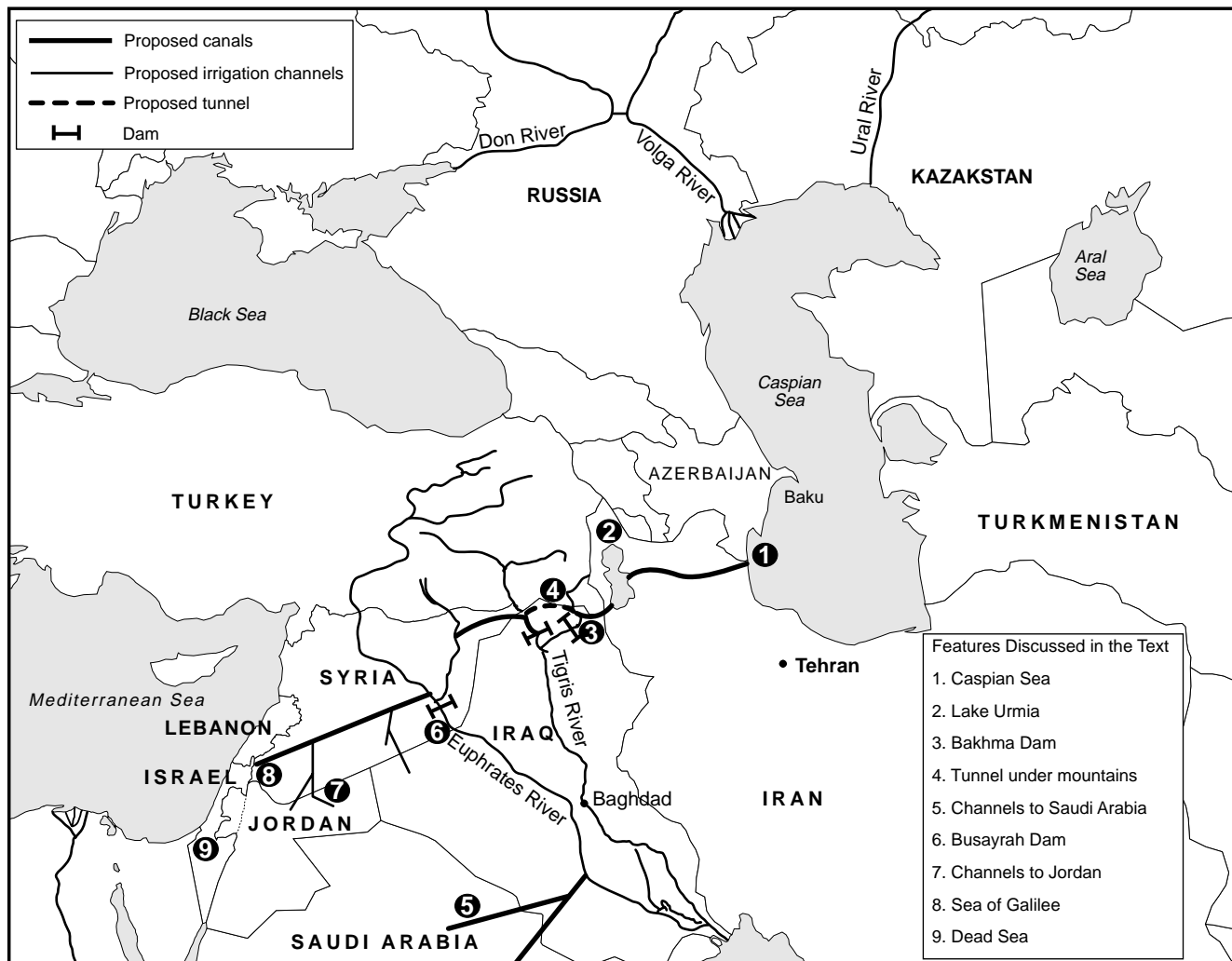
Mexican Initiative for ‘Creating’ New Water Resources for Mideast Peace

by Marcia Merry Baker

An important contribution to the urgent question of how to provide water and energy resources as the basis for peace in the Mideast, has been provided by Manuel Frías Alcaraz, a prominent Mexican engineer with wide experience in hydraulic and energy projects in his country. Frías’ call for a

Caspian Sea-Middle East water transfer project, has been endorsed by Lyndon LaRouche’s associates in Mexico, the Ibero-American Solidarity Movement (MSIA). The MSIA president in Mexico, Marivilia Carrasco, wrote an open letter to Mexican President Vicente Fox, urging him to make

FIGURE 1
Frías Caspian-Mideast Water Proposal



use of Mexico's interim-presidency of the United Nations Security Council (for the month of April), to promote a development-based solution to the Mideast crisis, such as proposed by Mr. Frías.

For the Mideast, Frías is proposing a water transfer program, channeling water out of the Caspian Sea to provide added supplies for the water-short areas to the west. **Figure 1** and Mr. Frías' statement below summarize the details of this interesting proposal. Many geophysical questions are posed, as Frías himself notes. The Caspian water itself is three times less saline than ocean water, but still is 11,000 parts per million. And on the continental scale, there are matters of the consequences of large-scale diversion.

The Caspian Sea is the Earth's largest enclosed lake (no connection to the oceans) in volume and surface area. Located in a highly active tectonic region (with vast oil and gas deposits), the Caspian's level has been highly variable over time—by millennia, as well as decades and centuries—a phenomenon for which there are conflicting explanations. But whatever the hydrodynamics, significantly diverting Caspian waters presents the need for considering the consequences to the littoral settlements, the zoology, and similar concerns, most particularly the in-flow rate. Five rivers, chiefly the Volga, account for 90% of the incoming freshwater. The Soviets had plans for diverting river run-off, now flowing unused to the Arctic, southward to replenish the flow to the closed seas (Caspian, Aral, Baikal). These plans were stopped; the Aral Sea is all but destroyed. Now is the time to revive the continental-scale water engineering.

LaRouche's 'Oasis Plan'

The Frías Caspian-Mideast plan complements the long-standing approach by Lyndon LaRouche, known as the "Oasis Plan" for peace in the Mideast. **Figure 2** summarizes some of its features, whose principle is that modern technologies of plentiful, inexpensive nuclear power, coupled with high-tech desalination, can provide the ratios of power and water required to create man-made development corridors and oases in the desert. Technically, just 20 nuclear-powered desalination installations in the eastern Mediterranean and Red Sea/Gulf of Aqaba areas could create freshwater equal to a "Second Jordan River" in volume!

LaRouche wrote on Aug. 6, 2000, at the time of the breakdown in the Camp David Palestinian-Israeli talks, a policy document, "Water as a Strategic Flank; Wherein Clinton Failed," on the necessity of a "desalination-based economic development program we first presented to relevant Arabs, Israelis, and others a quarter-century ago"—the "Oasis Plan." He warned: "In most of the region, and especially for the largest portions of the area, there simply do not exist sources of supply of usable water sufficient to meet the elementary needs of the population. Hence, without large-scale desalination programs being put immediately into operation, there is no hope for durable peaceful relations among the populations of this region."

Water and Energy: Solution to Conflict In the Middle East

by Manuel Frías Alcaraz

Mr. Frías Alcaraz is a prominent Mexican engineer. He is the author and director of the "Mexico in the Third Millennium National Project" (www.mexicotm.com).

The unequal and dangerous conflict in the Middle East is considered to be caused by issues of control and use of water and energy resources. Mesopotamia—whose upper area is located in Syria, while the middle and lower part, which represents the greatest land area and has abundant surface and underground water, belongs to Iraq—is the most coveted basin in that convulsed region of the world.

Without hydrocarbons, a nation can survive and develop itself. Without water, it cannot live. Oil can be exported. Water cannot be imported; each country has to rely on its own resources. If Iraq has both natural riches, and the other countries have deficiencies, insecurity and ambition are generated. Only through a well-conceived, multinational development project can there be coexistence and prosperity.

Under special circumstances, and because it satisfies mutual interests, commitments, and benefits, it is recommendable, if consensus can be reached and a well-planned and important infrastructure project made feasible, that transfers of water between countries take place. In this case, it would be from the Caspian Sea—which lies 28 meters below sea-level, has a surface area of 371,000 square kilometers, and is fed by the Volga and Ural rivers, among others—to the Middle East, an international region with the planet's largest hydrocarbon deposits (735 billion barrels of oil, including the Caspian Sea reserves [see Figure 1]).

To achieve this in-depth solution to the serious problems of water scarcity, the flow would originate in the southern part (which belongs to Iran) of the immense Caspian Sea (**1** on the map). It is so large that, with eight centimeters of its stored water—which is the equivalent of 30 billion cubic meters of water—one could irrigate 3 million hectares of land for a year, and convert vast desert terrain into gardens. From there, large quantities of water would be transferred to Lake Urmia (**2**), located to the west of the Caspian Sea, and also in Iranian territory. In order to make the transfer feasible, the water would have to be pumped to sufficient height to cross the mountains that separate Iran from Iraq in a reliable and economical fashion. In this way, the required charge would also be achieved in the main channel, to ensure that a large

FIGURE 2

Features of the LaRouche 'Oasis Plan'



volume of water would continue along the remainder of the route by gravity.

From this natural reservoir, the flow would be pumped into northern Iraq (Kurdish-controlled area). It will be necessary to build the Bakhma Dam (3) here, as well as a tunnel (4) of sufficient capacity (about 1,000 cubic meters per second) to carry water into the Tigris River, to the north of Mosul. Later, by means of canals and waterways, it would link up with the Khabar River, a tributary of the Euphrates. In these rivers, which delimit Mesopotamia, sufficient water would remain to irrigate land and supply the populations in northern Syria and Iraq. At the same time, and if feasible, additional channels from the Euphrates would carry water to the northeast of Saudi Arabia (5).

With the construction of the Busayrah Dam (6) on the Euphrates, the Caspian Sea-Middle East water transfer would continue through southern Syria, where it would supply the population centers and new irrigation districts, as well as possible derivative channels to supply water to northeast Jordan

(7). This transfer of life and progress, which would help resolve old ethnic and religious differences, would arrive in the north of Israel, to supply freshwater to the Sea of Galilee (8). By providing supplementary volumes of water to this unstable zone, supplying the border cities of Syria, Israel, and Jordan, conflicts over use of water could be eliminated, and political grounds for agreement found.

From the Sea of Galilee, part of the transferred flow would continue to the south through the Jordan River, increasing the amount of land under irrigation and supplying several nearby towns located in the West Bank, Jordan, and Israel; and it would finally discharge its last, valuable waters into the Dead Sea (9). In these two interior seas, both located below sea-level (Galilee at -200 meters and the Dead Sea at -400 meters), a simultaneous process of clean-up, rehabilitation, and conservation would begin, which would make their historic legacy that much more magnificent.

This strategic and fundamental water transfer—in a general east-to-west direction, and descending towards the southwest—over approximately 1,200 kilometers, would consist of treatment and pumping plants (it is necessary to determine if the low salinity of the Caspian Sea allows the water taken from it to be used for agricultural and urban needs), tunnels, large-diameter tubing, natural channels, reservoirs, canals, irrigation works, and the modernization of operating hydraulic installations.

In addition to supplying revitalizing water to thirsty populations and extensive lands, to increase food production notably in Iraq, Syria, Jordan, Palestine, and Israel, this project would also help reconcile interests and controversies in a region suffering constant confrontations for hegemony and control over resources.

Thus, using oil not as loot or a prize, but as an indispensable support-complement to finance, construct, and encourage a *sui generis* and wide-ranging development in the Middle East, around a great infrastructure project that definitively resolves the growing and recurrent wars over water in such a representative region of human civilization, would ensure that the motives, ambitions, and international arguments over administration/control of water, which today produce destruction and desolation, would evolve toward renewed cooperation and multinational coordination of goals and projects, where the primary interest and commitment would be to guarantee peaceful coexistence and progress.

It is necessary to reflect on the fact that the conflicts and

struggles in the Middle East which have prevailed since time immemorial, with alternating periods of domination of old and new populations to achieve supremacy, power, and wealth, today require, more than ever, an opportunity for, and a vote of confidence in its present-day civilizations and nations, to find and develop a common horizon of shared equity and prosperity.

The great project for Caspian Sea-Middle East water transfer would contribute to heal and reconcile divergent goals and aspirations. By respecting sovereignty and the principles of international law, Iran, Iraq, Syria, Jordan, Saudi Arabia, Palestine, and Israel would create the basis for a new era of progress and agreements for peace, which reconciles the actions, will, and efforts to negotiate and distribute water and energy resources among the Muslim, Hebrew, and Christian peoples.

A Mexican Contribution To Middle East Peace

The following open letter to the President of Mexico was issued by the Mexican branch of Lyndon LaRouche's Ibero-American Solidarity Movement (MSIA), on April 18.

President Vicente Fox Quezada:

Today, the world's fate will be determined by what we, the current generation—those of us who assume responsibility; you Mr. President and the citizens of this nation—do or fail to do, in the face of the challenge which history has put before us. Thus, it is perhaps no accident that destiny offers us the opportunity to act, even to change the world.

For a month, Mexico presides over the United Nations Security Council, and during that period, holds in its hands a unique opportunity to provide a solution, to offer the world a way out of the catastrophe of war. Mexico must present to the Security Council an international proposal for the reconstruction of the Middle East through great infrastructure projects, as the only basis upon which a durable peace and stability for the different nations of the region can be founded.

Pope Paul VI once said that “development is the new name of peace.” Well, now Mexico can go from passive “resistance” to the war against Iraq, to an offensive for peace, by means of a proposal that can truly help to rebuild a region of the world so devastated, time and time again, by ethnic, religious, and geopolitical conflicts.

Mr. President, Mexico must pose the necessity of fighting, not nations, but the source of rancors and confrontations among them, offering them the possibility of undertaking a common mission for world reconstruction. Thus, our country has this important international responsibility, not only during its period as president of the United Nations Security Council, but at all times, in its character as a sovereign nation-state, as

part of a community of principle among the different nations of the Earth.

A Mexican, the engineer Manuel Frías Alcaraz, has a viable proposal for a water and energy project of vast scope which integrates the region which stretches from the eastern Mediterranean, to Iran in western Asia, the “Caspian-Mideast Water Transfer Project.” The principal problem faced in developing the Middle East, is that of water, and what Engineer Frias proposes to solve this, is to transfer water from the Caspian Sea, with a surface of 371,000 square kilometers, to different nations in the Middle East, the region which has the largest concentration of hydrocarbon reserves on the planet (735 billion barrels of oil).

For the General Welfare of Man

Only this kind of orientation will succeed, an orientation in accordance with the principles that U.S. Presidential pre-candidate Lyndon H. LaRouche has established in his proposals—which several nations have already adopted—to create a New Bretton Woods, that is, a new and more just international economic and monetary order, and to build an Eurasian Land-Bridge that will link Europe with Asia through corridors of infrastructure and development.

And, in fact, Mr. President, do you not have the power to present this alternative to war, not only to the UN Security Council, but also to the Mexican people, whom you represent, to save them from the prostration of another war—of the same origin, but economic in nature?

Remember what Lyndon LaRouche said during his last visit to Mexico in November 2002: “The problem is, that there is no way, with the current policies that have been imposed on Mexico, in large measure by the United States, that they can be successful. When enemy forces invade your country, you have to take this into account. And the current policies . . . which come from the United States, are crazy policies that can destroy Mexico.”

And the words he addressed to you: “The President of a republic like Mexico, does not personify a contract that he signs, to represent certain policies. Rather, he is the President of a republic. He has to be the leading figure in the introduction and implementation of policies that the country needs. The chief executive of a republic has the responsibility to act as the protector of the nation. He has to act in the interest of the general welfare. He has to take into account the welfare of the nations which are the partners of his country.”

Today, we are called upon to decide whether we will commit the same error for which humanity has paid so dearly, so many times, of plunging the world into a new Dark Age of interminable conflicts; or, if we will bring the world into a safe port, a Renaissance such as that which rescued Europe from starvation, war, and the Black Death of the 15th Century.

President Fox, if you do not rise to the level which this decisive moment in history demands of you, be certain that Iraq, and Mexico and the world, will face perpetual war, and even the end of civilization as we know it.

China's 'New Deal' Is The Engine of Asia's Growth

by Mary Burdman

The world's most populous nation has been unique in sustaining real economic growth since the pivotal year of 1998, when the world economy went into its tailspin. In the midst of today's far more tumultuous economic and political situation, China's ability to continue and deepen real economic growth—to bring all of its 1.3 billion people into a “well-off” economy in the next two decades—is a matter of international importance.

China and India, the other Asian giant with 1.02 billion people, and the nations of Southeast Asia, are the largest markets in the world for the advanced technologies which European nations and the United States should be exporting. China's interior regions: the huge areas stretching from northeast India along upper Bangladesh, Myanmar, Thailand, and Vietnam; and the vast, barely populated, but extremely resource-rich area from Siberia to Northeast Asia, all urgently require the most advanced transport and energy technologies, and an educated workforce, to bring them into the modern industrial era.

In November 2002, at the 16th Communist Party congress, now-retired President and party Secretary General Jiang Zemin, said that China will try to quadruple the size of its national economy of 2002, by 2020. This would make China a “well-off society,” he said, and that eventually, by 2050, China should become a modern nation. In March 2003, the National People's Congress elected a new President, Hu Jintao, and new Prime Minister, Wen Jiabao, who both reaffirmed this national policy.

It must be emphasized what an enormous challenge this is. China is still, in many ways, a developing sector economy; its population will rise to 1.6 billion people by 2050, and it must solve critical problems, including crippling shortages of water and energy, in order to develop. At the same time, as leading Chinese economists are well aware, the international financial system is “on fire” and will not survive, and the world economic situation is far “harsher” than it was during the 1997-99 Asian financial crisis.

At the same time, this transformation process is throwing into relief the challenges China faces. Of its 1.3 billion people, some 800 million still live in the rural economy. The long-term “fault line” of the Chinese nation, the division between the more advanced and externally oriented East Coast, and the vast interior, has yet to be overcome. Since 2001, the

problem of how China can bring its 800 million rural population into a modern, industrial, urbanized economy, has become a leading economic and political issue, and the top priority of the new government.

Nothing on this scale has been yet undertaken in world history. This enormous project must be done in cooperation with other nations of Europe and Asia. A similarly urgent and enormous transformation must be carried out in South Asia—where India, Pakistan, and Bangladesh have a combined population of over 1.2 billion people—and for Southeast Asia's 500 million, most of them terribly poor.

This economic transformation, is the main task before the nations of Eurasia. China has clearly taken the lead in it, and has done so, resisting globalization and tremendous pressures to float its currency and open its capital markets, by a policy of national investment in domestic infrastructure which can only be compared to the “New Deal” of President Franklin D. Roosevelt in the United States.

An Investment in Great Public Works

At the beginning of 1998, Beijing began taking extraordinary measures to avoid being destroyed by the disaster which was sweeping the rest of Asia. The government launched a national infrastructure-construction program, using the same basic principles as Roosevelt's famous New Deal, which saved the United States from disaster in the 1930s world Depression.

The measures are equally important for China. By them, it has maintained its “strategic defense”—especially strict controls on the national currency and financial system—and refused, under enormous pressure from the United States, to devalue the exchange rate of its currency, the renminbi. China was hit hard by the 1997-99 crisis. Its largest export markets, in Southeast Asia, collapsed, as the rest of its foreign trade and capital inflow contracted; internally, deflation became severe, and internal investment contracted sharply.

Beijing announced its “New Deal” policy at that capital of globalization, the Davos, Switzerland World Economic Forum, during the last week of January 1998. Vice Premier Li Lanqing laid out two fundamental measures against the collapse hitting Asia: He said that China would invest the equivalent of \$750 billion in infrastructure building over the three years 1998-2000; and he made clear the “impossibility”



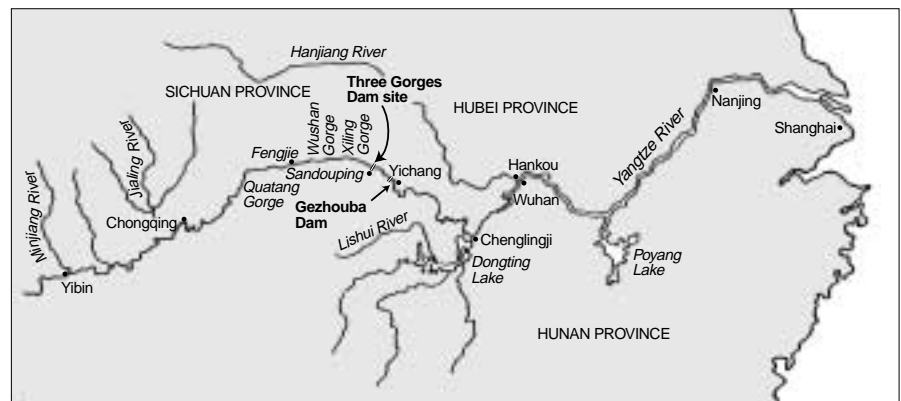
The Three Gorges Dam and surrounding transport infrastructure, shown by a table model a few years ago, is now near to coming on line as the world's largest hydroelectric project—though to be surpassed by another project in China's South within a decade. Three Gorges has been modelled on the Tennessee Valley Authority since TVA engineers did studies for it in the 1940s. It dams the Yangtze River at the site shown in Sichuan Province, creating a reservoir the length of the Grand Canyon of the Western United States.

tion policy had been accelerating since the early 1980s: It centered on building railroads; the world's largest water-management project, the Three Gorges Dam; and city building. But some of the effects of globalization, and—which is a far greater problem—a good deal of the thinking behind it, had penetrated national economic/financial policy.

After much discussion and debate in the last months of 1997, there was a marked change in the opening months of 1998. It should be noted that in September 1997, Schiller Institute Chairwoman Helga Zepp-LaRouche led a delegation to Beijing, where she warned leading institutes and economists, that the "Asia crisis" was rapidly going to become much worse, and that China must take steps to counter this disaster of globalization. Her warnings were fully confirmed soon thereafter.

China elected a new national government in March 1998, led by Prime Minister Zhu Rongji, which moved fast. The historically specific term, New Deal, was soon in use. Franklin D. Roosevelt has been held as a good friend of China since World War II. Kuomintang China and the United States were wartime allies; China's interest in the New Deal policies continued unabated after the 1949 revolution. Mao Zedong and Zhou Enlai, the leaders of the 1949 revolution, tried in early 1945, to get to Washington and meet Roosevelt, but FDR died before they could meet. Many times during the decades of

FIGURE 2



bitter American enmity towards China begun by FDR's unworthy successor Harry Truman, Chinese leaders called on the United States to return to the policies of Roosevelt. The Three Gorges Dam is only one example of a great infrastructure project directly modelled on projects built under the New Deal, or under the "American System" in general.

Last April, leaders of the State Development Planning Commission called the national investment in China's huge western interior, its "frontier development campaign." At this year's crucial meeting of the National People's Congress, officials announced at a March 8 press conference that China "will take the practices of the United States, Canada, Japan, and Italy as a reference" for its own western development program. "We'll draw on their successful experience to formulate policies geared to the actual conditions" of China,



The western Taklimakan Desert (left), the world's worst, is also the reserve base of oil supplies China is exploiting. But the growth of the western desert by "dust-bowl" erosion from low-technology farming, contributed to the devastating "century flood" of 1998. Battling desertification with projects like that at right, is a part of China's "New Deal" investment.

stated Li Zibin, deputy director of the national group for Development of the Western Regions. "To implement such a colossal program in such a colossal area in an orderly way is an incredible challenge."

Consistent 8% Growth Needed

The challenges to developing China's west—its need for railroads, its serious water shortages—are very similar to those which the United States faced in its western regions during the 19th Century. "We want to borrow their successful experiences—but not the unsuccessful ones," Li said.

Beijing began with a policy to increase government spending, to expand economic growth. Their concept was that government spending had to expand at *twice* the rate of the targeted economic growth. In March 1998, the official *China Daily* reported that "Zhu Rongji, the man who stemmed China's inflation without stifling growth, is poised to launch the Chinese version of Roosevelt's New Deal this year. . . . Zhu has made it clear that massive investment will be channeled into infrastructure, echoing Roosevelt's bid to revive the American economy in the 1930s. Dai Xianglong, Governor of the People's Bank of China and a close aide to Zhu, has announced that China could sustain growth in fixed asset investments of 15% this year, up to 3 trillion yuan [\$361 billion], if GDP maintains a growth rate of 8%." Growth of 8% was essential to generate new employment for the millions being laid off in the necessary reform of China's outdated state-owned industries.

Spending priorities were for railways, the steel industry, housing, highways, and water conservancy and management. "It may take a long time to recoup the investment in infrastructure," *China Daily* wrote, "but there is no need to worry about a bubble economy featuring repeated inputs in projects without sustainable profits." Building infrastructure promises huge long-term returns, and would avoid sharp fluctuations.

One key asset consisted of the three new development

banks, set up in January 1994: the State Bank, the Agricultural Bank, and the Export-Import Development Bank. These "state policy" banks are nothing new in China. In the early 20th Century, the Bank of China and Bank of Communications had been established under the Ministry of Finance of the Republic of China, to carry out government economic policy; much transformed, these same banks exist today. The leaders of today's People's Republic had learned another lesson from history: the Republic of China's policy of complete free-trade—dictated by the United States and Britain—along with the ravages of over 15 years of Japanese occupation, had plunged China into a post-World War II hyperinflation that did as much to defeat Chiang Kai-shek's rule, as the determined military campaigns of the Red Army.

In March 1998, Zhu Rongji announced that China would protect and develop itself, "By stimulating domestic demand . . . to increase the construction of infrastructure, such as railroads, highways, water conservancy works, urban facilities, environmental protection facilities, and so on; and to develop high and new technologies, and strengthen technical transformation of existing enterprises, in order to increase the demand of the national economy." Zhu also announced that China would be carrying out key reforms to change the current investment and funding system, to a "socialist market"—with, of course, "Chinese characteristics." This meant streamlining the vast national bureaucracy, which was sucking up funds urgently needed for economic construction, and hindering real progress. Finally, he said, Beijing's most important task will be "to vitalize China through science and technology."

'Century Flood' Marks a Turning Point

Despite the increase in government spending, by September 1998, Beijing was concerned that a slowdown in investment in the non-state sector, which accounts for 40% of total investment, could erode the achievements of the state sector. Therefore, Beijing decided to increase spending by issuing

FIGURE 3
Central Asia, Fulcrum of the 'Paris-Shanghai Railroad'



John Sigerson / EIRNS 2001

The first railroad across China's west was finished in 1999, to Kashi near the Kyrgyzstan border, and will eventually be the first spur of the "Shanghai to Paris railroad" of the Eurasian Land-Bridge, via Kyrgyzstan and Uzbekistan.

special treasury bonds, worth 100 billion yuan (\$12 billion), to prompt banks, local governments, and enterprises to spend another 250 billion yuan in the projects. This would generate another 1% in economic growth, the State Development Planning Commission proposed.

At the same time, controls on currency movements, prices, and foreign exchange were increased. In August 1998, People's Bank of China Deputy Governor Liu Minking announced in Beijing, that China would absolutely not devalue its currency. "I would like to tell speculators," he said, "that China is a big player, and they had best not miscalculate"—a warning which has held true to this day.

At this point, the Chinese government also welcomed the call by U.S. President Bill Clinton, for an emergency international meeting on the world financial crisis, during a speech at the New York Council on Foreign Relations on Sept. 14. Clinton met visiting Chinese Foreign Minister Tang Jiaxuan soon thereafter, and Clinton "pledged to continue to work with China in stabilizing the world economic situation," and expressed support for China's strong stand on protecting its currency. His speech was praised in the Chinese national press. Under massive political/impeachment attack, however, Clinton backed away from his initiative, and nothing was done on the international level to turn the crisis around.

China, however, persevered. The terrible "century floods" which spread devastation in central and north China in Summer 1998, were turned into a rallying point for reconstruction, to renew and expand agriculture, housing, industry, and infrastructure in the affected areas. The state-owned commercial banks were instructed to issue 1 trillion yuan worth of low-

interest loans to flood victims. Longer-term construction of new dikes and other flood-control measures were also undertaken.

As the floods reached the highest levels, the government announced new, large-scale infrastructure projects for the entire country. These included plans to link the national power grids by 2020, and new hydropower projects. (China has so far exploited less than 20% of its potential hydropower.) Nine new railroads were to be constructed over five years, with an investment, at about 350 billion yuan, more than double the spending of the previous five years. Most important by far, was the announcement that construction of a railroad to Tibet, the first in history, would be launched in the coming years.

Develop the West

While the nations of Asia were getting more and more enmeshed in exporting components to the huge, U.S.-centered "New Economy" bubble, China decided upon a second, even greater strategic shift, intended to move China away from reliance on exports to external markets to spur growth, and toward reliance on its "strategic depth"—its vast population and huge hinterland, reaching to Russia, Central Asia, and South and Southeast Asia. This shift could finally resolve the "fault line" economic division of the Chinese nation.

The change was a very rough one. The New Economy bubble began to dissolve internationally in 2000; by 2001, it was imploding—including, on a smaller scale, inside China. Beginning in the early 1980s, until 2000-2001, the external dependence of China's economy grew to over 40%, but the U.S.-Japan-Western Europe "trilateral depression" is chang-

ing this. China, earlier the biggest recipient of foreign investment in the developing sector, had lost out: Its main investment flows, from Hong Kong and Taiwan, were hard hit by the general crisis, and everything else had been flowing into the huge U.S.-centered bubble. Export growth, which had risen over 25% in 2000, dropped sharply in 2001, especially after the Sept. 11 attacks in the United States. By November, the yearly Beijing Economic Work Conference was warning of the worst world economic crisis in 20 years.

The policy shift which emerged, the next important phase for the New Deal, was the “Develop the West” program, launched in 1999 and a pillar of the 10th Five-Year Plan (2001-2005).

Developing the west is a truly “pioneering” effort to open up China’s huge interior, and its borders with Central Asia and India, for the first time. The geographic challenges alone are staggering: the world’s highest and most extensive mountain ranges, its harshest desert—the Taklimakan—enormous distances, and a great need for much more water.

The economy of the western regions was only about 40% of that in the east coast provinces overall. To even begin real development, it was necessary to start with basic infrastructure, and essential reforestation and other measures against desertification. Impoverished farmers trying to grow crops on unsuitable land had created a “dust bowl” in western China, far larger than that in the United States in the 1930s. Stripping of forests and grass cover, led to the disastrous 1998 floods.

The first railroad to Kashi, the western terminus in Xinjiang, was finished in 1999, and will eventually be the first spur of the “Shanghai to Paris railroad,” via Kyrgyzstan and Uzbekistan. Other pioneering projects will follow.

China also boosted its side of initiatives towards its neighbors to the south in 1999. The “Kunming initiative,” a regional forum including southwest China, Southeast Asian nations, and Bangladesh and India, was launched, and construction of a “passage to the sea,” from Yunnan province via the Mekong River, begun in earnest.

In early 2000, Beijing announced it would be directing 70% of its treasury bonds, and government and foreign funds, towards the western regions. The emphasis in railroad construction would be on the interior, in two phases. Until 2010, building would focus on a basic rail network inside China; afterwards, on building international connections. Only one such link, the Euro-Asian Continental Bridge to Kazakstan, yet exists from western China! There is no other rail connection all along the border, until one reaches the antiquated rail links to Vietnam.

By 2001, infrastructure investment in the interior was up by 25%, much higher than the rate in China as a whole. With most of the long-term treasury bonds already being used in the western regions, by late 2002 about 260 billion yuan (\$31.3 billion) had been spent on projects in the region.

Officials of the Chinese People’s Consultative Conference (CPPCC) have called for creation of a state policy “Western Development Bank”: It would make loans to a proposed

Energy Construction Corp., a Water Resources Development Corp., and a Highway Construction Corp.

How Pro-Active Construction Policy Works

The process of issuance of treasury bonds for the New Deal began with 100 billion yuan (\$12.1 billion) worth of these special bonds in 1998; this was increased, to 110 billion yuan in 1999; and has been 150 billion yuan a year since. This March, Beijing announced it would issue an additional 140 billion yuan in special bonds for 2003.

In 2001, Beijing upgraded the “pro-active” policy. The 150 billion yuan in new bonds were combined with 50 billion yuan not utilized during 2000, to create a fund of 200 billion (\$24 billion)—almost twice the previous yearly amount. In addition, there were 50 billion yuan in special bonds for western China.

It was clear to Beijing—and publicly stated—that the “trilateral depression” was going to be much worse than the Asian and Russian crises of 1998. At the beginning of 2001, China declared its “pro-active investment” program to be the foundation for the 10th Five Year Plan, 2001-2005. The national discussion around this Five Year Plan, was on how to move beyond “infrastructure investment” to an effort that would transform the overall economy, using key projects which would “change the economic face” of China.

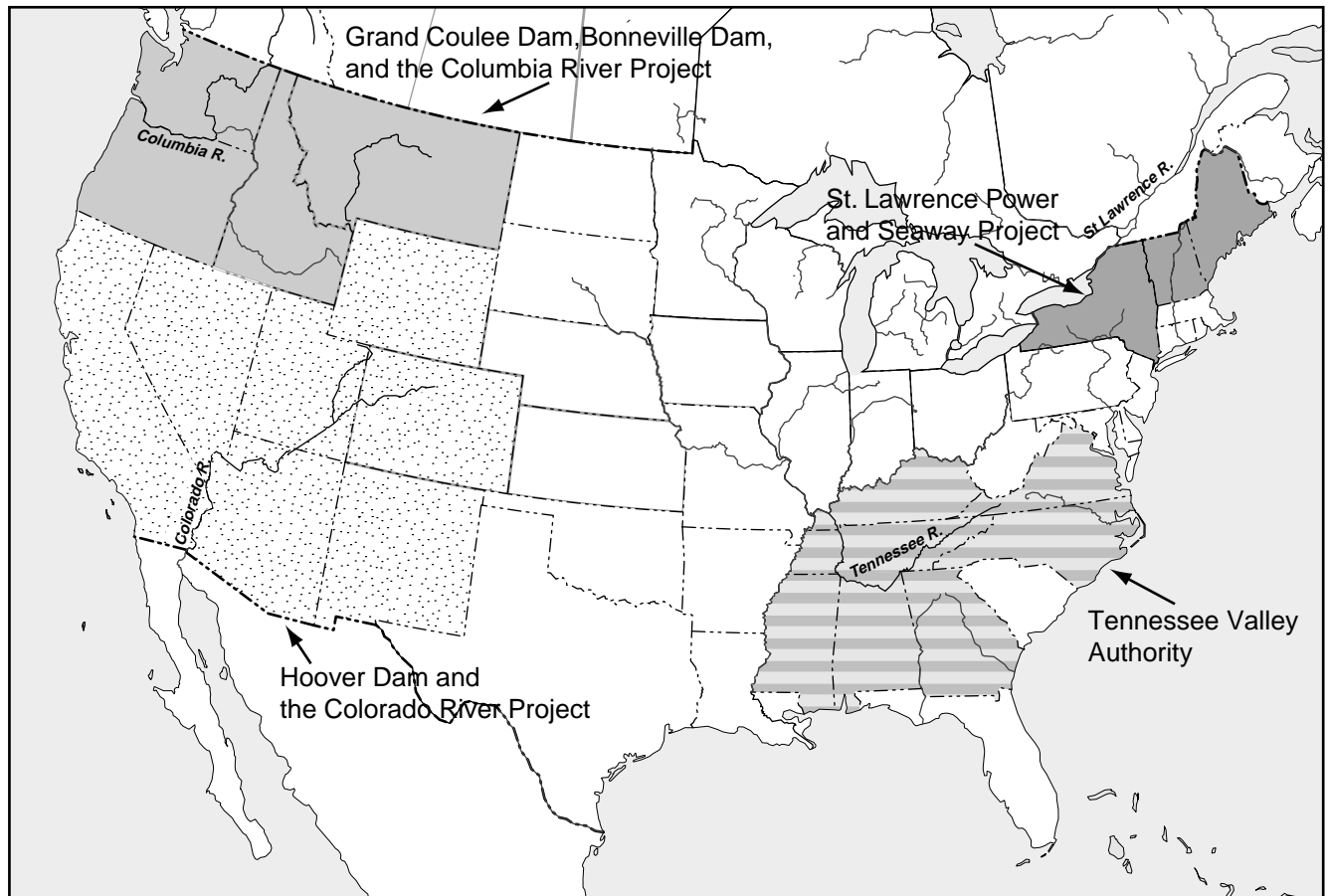
In March 2001, the government issued policy papers for the yearly meeting of the national congresses—the National People’s Congress (NPC) and CPPCC—to outline the 10th Five Year Plan. These papers called for a “new round of strategically important economic restructuring” of industry and agriculture, overcoming the east-west regional and urban-rural divisions. Solving these problems would take 50 years or more.

Expanding domestic demand was designated a “long-term principle” of strategic importance for China, because this would give the country greater freedom to “maneuver” and increase its ability to resist international economic risks. As 2002 began, the Chinese government decided to accelerate national investment, and the flow of funds to the investment market was sped up. The core projects of this new level of economic development, are designed to “re-draw China’s economic map.”

During the five years from 1998-2002, the national government had issued 660 billion yuan (\$80 billion) worth of treasury bonds, used to finance almost 10,000 projects. These projects were critical for stimulating the domestic economy, the core of the Chinese development policy. But, the government funds also played the key role, of encouraging local governments, and other national agencies, as well as private enterprises, to themselves invest in infrastructure projects. Thus, an additional 3.2 trillion yuan (\$385.5 billion) was generated for the New Deal program over those five years. Thus the total public and private *directed investment credit and spending* in national infrastructure projects, approached \$100 billion a year during that five-year period.

FIGURE 4

Roosevelt's 'Four Quarters' Development Projects



Source: EIRNS

The “Four Quarters” of Franklin Roosevelt’s New Deal, so described by him in a September 1932 campaign speech, were four extraordinary great projects by which to reshape American productivity and beat the Depression: the Bonneville Dam, Hoover Dam, Tennessee Valley Authority, and St. Lawrence Seaway project.

This positive fiscal policy has been pulling economic growth forward. Official estimates put the increase in domestic growth, due to the treasury bond investments, at an additional 1.5% in 1998; 2% in 1999; 1.7% in 2000; and an additional 1.8% in 2001.

It is notable that China became, in 2002, the single largest national recipient of foreign investment, for the first time surpassing the United States.

Shift to Domestic Demand

The “trilateral depression” of 2001 exposed the weakness of China’s strategy of relying upon selling low-cost exports to the United States and other markets. The super-fast rate of growth of Chinese exports collapsed. In 2001, net exports went down by about 30%. By 2002, it was projected by the Trade Ministry, that export growth overall would be 0%.

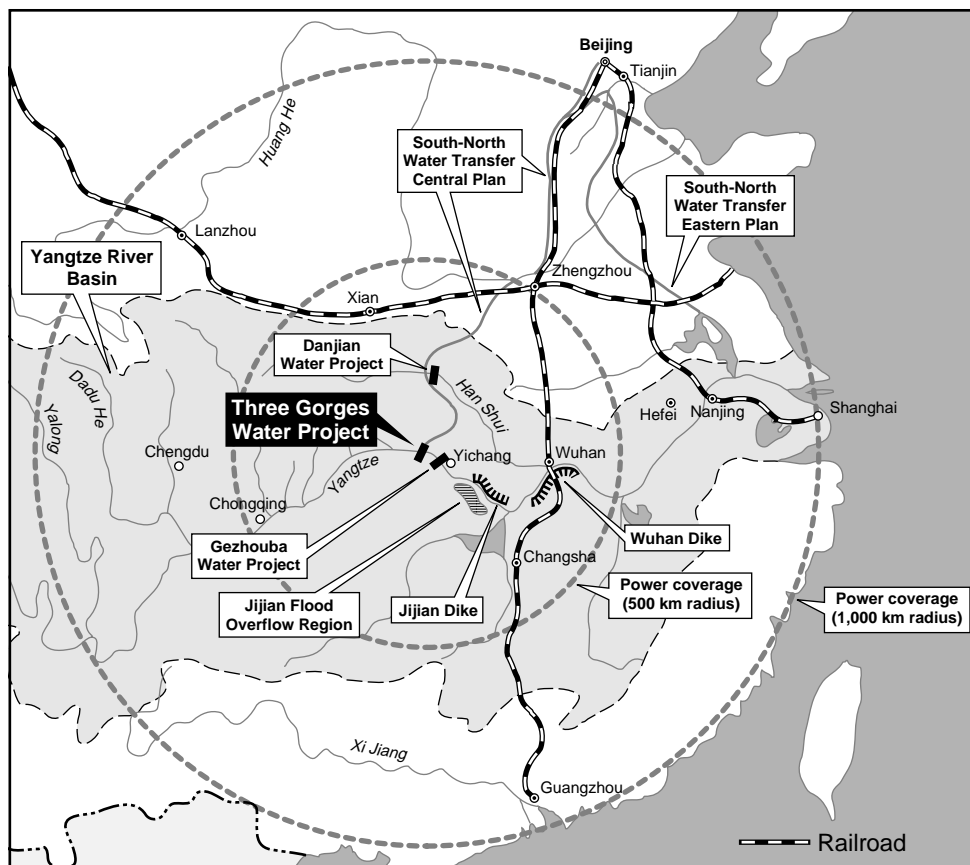
However, a particular shift was developing—the rising integration of Asia and Eurasia. In April 2002, while warning of the “unpredictability” of the world economy, Vice Minister of Trade Zhou Keren noted that Chinese exports to Russia, India, and Central and Eastern Europe could rise fairly rapidly, on a potentially large scale.

The treasury bonds issued from 1998-2001 were relatively short-term, with low interest rates: two- to five-year fixed-rate bonds with annual interest rates of 2.3% to 2.8%. Some bonds with up to ten-year maturities were also issued. These rates were set *lower* than those on savings accounts, for the first time since 1949.

Financial officials made clear at the time that expanding the debt was not a real problem. China’s deficit had for years been extremely low—just 1.5% of GDP in 1998. While the “international standard” for outstanding debt to GDP is

FIGURE 5

How the Three Gorges Dam Works With China's Water and Rail, and Power Infrastructure



China's "New Deal" was also described by its government, in March 2001, in terms of "Four Great Projects" to reshape the nation's productive economy, which are only suggested here. They are moving "South Water North," a new West-to-East natural gas pipeline, the West-to-East power transmission grid, and the ongoing great national railroad construction, featuring the new Tibet Railroad (see Figure 7).

60%, China's bond issues put debt at less than 30% of GDP by 2001; and, since most public debt is domestic, there is little threat to China's huge foreign exchange reserves—now at \$286.4 billion, a 35% increase from the end-2001 level.

China's four large state banks have a very high proportion of bad loans, over 25%, but this domestic debt can be dealt with by rapid, real economic expansion.

In 2002, for the first time, the national government began issuing longer-term (15- to 20-year) treasury bonds. These are for smaller amounts: 12 and 16 billion yuan, but the important difference is, that the Chinese national financial system had achieved enough stability, that it could sustain long-term bonds. Interest rates have been steadily lowered by the People's Bank of China since 1996, and are now at the lowest level since 1978, when the economic reform and opening policy began.

The investment potential is tremendous, since domestic bank deposits, mostly individual savings, are over 10 trillion yuan (\$1.2 trillion)—almost the equivalent of the annual GDP—as of February 2003. The key problem has been, precisely, developing mechanisms for "directing" these funds to

safe, productive investments.

In January 2002, Zeng Peiyan, then Minister of the State Development Planning Commission, announced at a Beijing meeting, "Ten years from now, projects financed by the T-bond issuance will become the country's treasure." He reported that national fiscal revenue in 2001 was more than 20% higher than that of 2000, and the profits of the state-owned enterprises were much better, the result of the national investment policy. Furthermore, China would develop expand the "channels to gather investment," by encouraging non-government investors. The national government would begin to establish a price and taxation system, to "guide" non-governmental investment into these fields. As a supplement, those managing specific projects, are to be allowed to seek "soft loans" from other countries, and private investment will be allowed in urban public facilities.

Beijing Exhibition

The great economic benefits of the New Deal policies was shown in the "Picture Exhibit of Treasury Bond Projects," which opened in Beijing on Dec. 1, 2002. The exhibi-

tion was sponsored by the State Development Planning Commission, State Economic and Trade Commission, and other organizations. Zeng Peiyan opened the exhibit by reporting, "This investment played a vital role in boosting economic growth, improving the economic structure, increasing employment, improving people's living standards and enhancing the quality of bank assets." The projects funded include construction—especially in the western regions—technological transformation of key enterprises, water management and flood control, and national highway construction. By 2002, rural electricity prices have been lowered, thanks to upgrades in the overall system, which increased the market for electric machinery and appliances in the countryside.

Other benefits were even more important. China has heavily invested in water management since 1998, directing fully 20% of the state treasury bonds to this sector. Funds were used for building embankments, improving old dams and irrigation systems, and making drinkable water available to more people. A special investment fund of 30 billion yuan (\$3.5 billion) was used to reinforce the dikes along 3,500 kilometers of the Yangtze River, using new technologies and materials. The benefits were enormous: During the terrible 1998 "century flood," sections of the outdated dikes had broken, with the loss of many lives and some 30 billion yuan in damages. Flooding almost as serious returned during the Summer of 2002, but this time, the embankments held, and damage was minimal.

The huge Three Gorges Dam was also able to withstand the 2002 floods. "Having been severely tested by the floods—the most authoritative quality controller—the completed sections of the dam have made people rest assured," said the Austrian engineer who is the project's general supervisor of engineering, in August 2002. The dam, then about 70% complete, is designed to withstand the heaviest flood in a period of 10,000 years. The cofferdams, built when the main stream of the Yangtze was blocked in November 1997, had been taken down to test the dam's soundness.

Four Great Projects

The physical economic effects of this investment policy, were described in the March 2001 government policy paper, published in the *People's Daily*, calling for using "Four Great Projects" to "Re-Draw China's Economic Division Map." The new infrastructure will make possible, "an unprecedented mammoth transfer of resources, [which] will mean the re-drawing of China's economic division map." The four great projects are: the "Move South Water North" water diversion system, launched in late 2002; the West-to-East pipeline to bring natural gas to the east coast; the West-to-East power transmission grid; and the Qinghai-Tibet Railway "to the roof of the world," which was begun in June 2001.

The "South-to-North" Water Diversion project, will achieve "strategic restructuring" of water resources, perhaps

the single most important problem for the Chinese economy. More than the size of its large population, the lack of sufficient water, especially in the North, is the biggest for economic development in China.

Western China also has relatively good petroleum and natural gas reserves, which are urgently needed on the east coast. China has not been able to build up a strategic oil reserve, and since the 1980s, has become increasingly dependent upon imported oil. It now imports 65-70 million tons a year, one-third of its consumption, and 56% of that is from the Middle East, a very serious vulnerability. The country is now expanding new sources of oil: exploiting offshore petroleum in the South China Sea, which also demands cooperative relationships with the nations of Southeast Asia; and encouraging construction of new pipelines from Russia's Siberia to Northeast Asia, including Korea and Japan, and from Kazakhstan and other Central Asian nations. Internally, China has opened a new oil pipeline, 1,250 km long, from Gansu province in the northwest, to Sichuan province, the gateway to western China. A second pipeline, from Xinjiang to Gansu, is now being built.

Natural gas is also being developed as an energy source. The 4,200 km west-to-east gas pipeline, begun in 2002 and scheduled to be completed in 2005, will connect Xinjiang to energy- and resource-poor Shanghai and the Yangtze Delta. Investment in this project, which is a joint venture with Royal Dutch Shell, ranks second only to the Three Gorges Dam. There are deposits of 22,400 billion cubic meters of natural gas in Xinjiang.

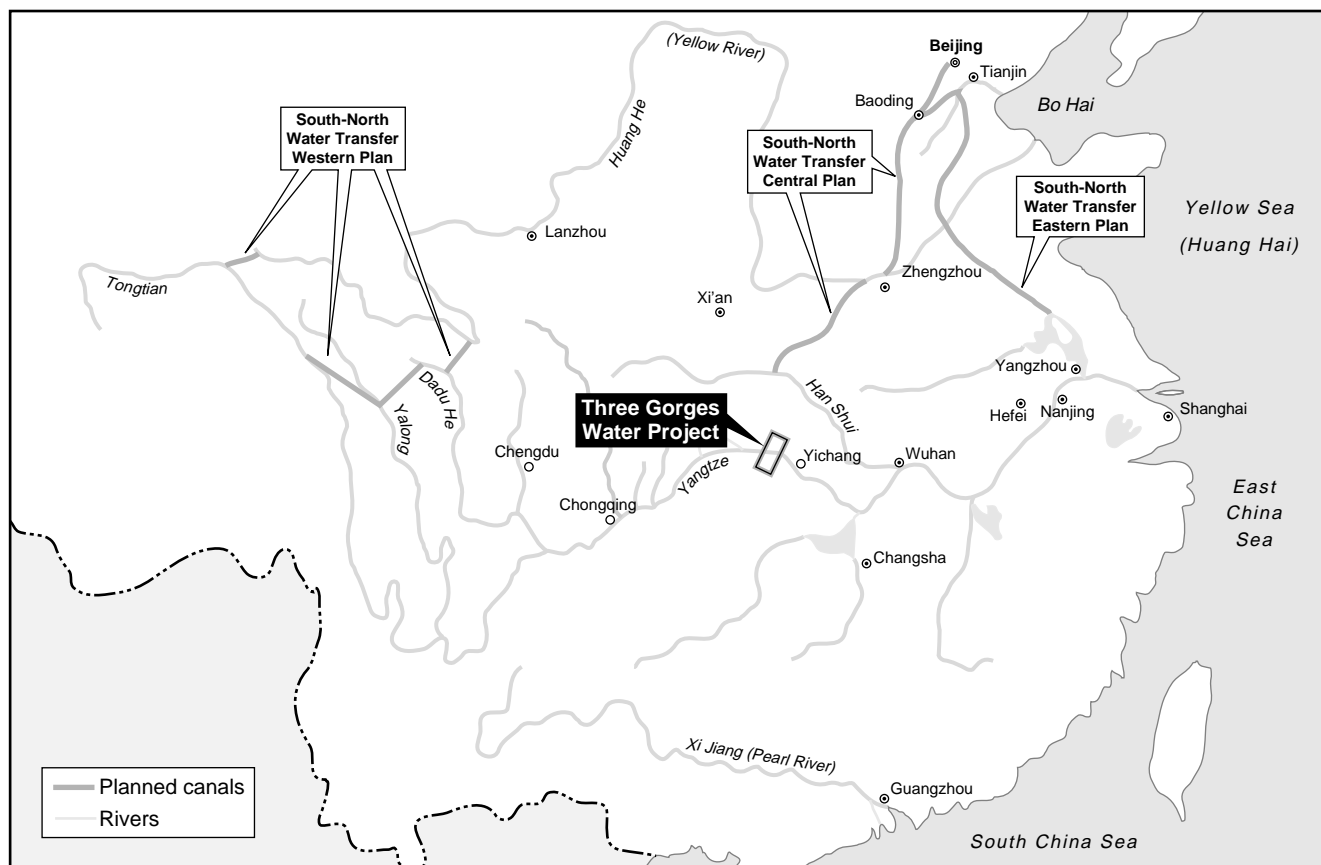
The second part of the project is the west-to-east power transmission grid, called an "indicative project" for the interior regions. The program is to exploit hydropower potential—China has the largest in the world, theoretically 676 million kilowatts!—only 20% of which is currently being utilized. Second, is exploitation of coal, with 60% of China's reserves in its northwestern provinces.

The overall plan includes three main power transmission grids:

- Northern: from the coal resources bases in Shanxi, Shaanxi, and Inner Mongolia, and hydropower sources on the upper Yellow River, to Beijing-Tianjin and Shandong.
- Central: from the Three Gorges Dam, Jinsha River projects, and Sichuan hydropower projects, to the Yangtze Delta and Shanghai. The central China electricity grid was already connected to Shanghai in 1989, but it will become a massive energy transmitter, when hydropower projects on the mighty Yangtze and its tributaries, are finished in the coming years. The first turbines in the Three Gorges project are scheduled will begin generating power in late 2003; the entire project should be completed in 2009, at a cost of at least 73 billion yuan. On Feb. 12, the Three Gorges Project Development Corp. announced that four dams would be built on southwest China's Jinsha River, the biggest tributary of the Yangtze. These hydropower plants combined, will ultimately deliver

FIGURE 6

China's Great Water Management Projects



The full nationwide scope of the water-transfer “Great Project” known as “Move South Water North,” to which the Three Gorges Dam and hydroelectric project contributes. The North and West of the country are dry; the southern half of China has overabundant river flows and flooding. Completion of the grid is intended by 2010. (See EIR, Dec. 20, 2002 for full report.)

38.5 million kilowatts of power, *twice* the installed generating capacity of the Three Gorges project itself! The first of these four new plants, the Xiluodu, will begin operation by 2014, and should be completed by 2017. Eight more hydropower plants are planned on the Yangtze River system.

Obviously, this central section will be by far the largest part of the west-to-east power transmission grid. The four Jinsha River plants will eventually deliver as much power as 35 large European nuclear plants.

- Southern: will build hydropower plants on the Wujian and Lancang (upper Mekong) and other rivers in Yunnan, Guizhou, and Guangxi provinces, to coastal Guangdong province.

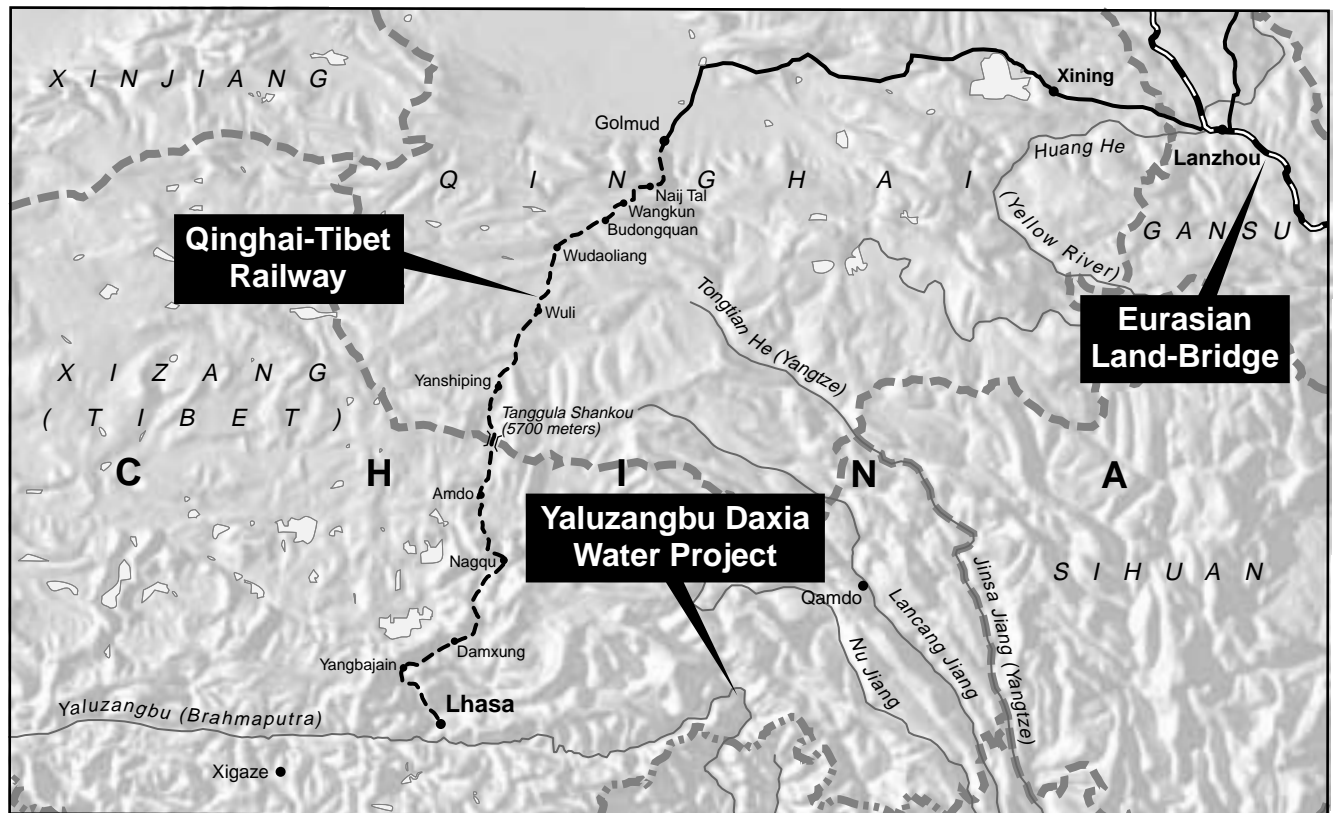
These projects are designed to make the western region “a powerful energy base” for the industrialized east. Transmission of electricity from these interior areas, will be much less expensive than the current costly system of transporting coal or petroleum by rail, from the interior to coastal areas of

China. In addition, air pollution will be greatly reduced in the industrial cities of Shanghai and Guangdong.

Ultimately, however, the only real answer for China, as for the rest of Asia, is development of nuclear energy—the only energy source which makes long-distance international or inter-regional transmission unnecessary. China already has seven nuclear power stations operating, all on the east coast, and another four nuclear generating units are under construction, to go online in 2005. These have pressurized water reactors, needing spare parts produced in cooperation with overseas producers, which makes production costs more expensive than thermal and hydro-electric power. The official goal is to generate 3%-4% of energy from nuclear plants by 2005. An important development was the announcement March 2, that China’s first high-temperature gas-cooled reactor had gone fully online, at the Nuclear Energy Technology Institute of Tsinghua University, outside Beijing. This highly efficient and safe form of nuclear power, which originated in

FIGURE 7

Rail and Water Projects in Tibet



The Tibet Railway, the most challenging to build in the world because of its elevations and severe cold, leaves the Central Eurasian Land-Bridge route at Lanzhou and will be built to Lhasa. India's rail system, up to now, has no connection to the rest of Eurasia! China's Southern hydroelectric projects at Yaluzangbu Daxia and on the Jinsa River are aimed, by 2020, to provide twice the electric power as the Three Gorges Dam itself. Development of the mighty Mekong River, with the ASEAN countries, is also being planned (Figure 8).

Germany, has enormous potential for China, including for desalinization of sea water.

Railroad to the Roof of the World

The fourth great project is the 1,180 km-long Qinghai-Tibet railway. This will be the highest-altitude railroad ever built, and will make the Chinese system the biggest "cross character" rail network in the world (an image from Chinese written characters).

In 1949, there were almost no railroads west of the north-south Beijing-Guangzhou (Canton) Railway. During the Ninth Five Year Plan, (1996-2000) a new, modern rail line was built from Beijing to Kowloon, outside Hong Kong. This "bold vertical north-south stroke" will now be "crossed" by the Qinghai-Tibet Railway, and it will branch south and west from the Lianyungang-Lanzhou Railway, which is the Chinese link to Kazakstan, the "Euro-Asian Continental Bridge."

A rail line already runs from Lanzhou, on the "Continental Bridge," to Golmud, the transport hub of Qinghai province.

From there, the railroad will be built to Wangkun, across the Tanggula Mountain and into Tibet, and via Amdo, Nagqu and Damxung areas, to Lhasa, the Tibetan capital. Eventually, it will be extended west to Shigatze, Tibet's second-largest city on the Yarlung Zangbo-Brahmaputra, and then to Linzhi prefecture, which lies the north of India's Arunachal Pradesh state.

Remarkable engineering has gone into the rail project, taking six years to complete and costing 26.2 billion yuan. More than 960 km, or over 80% of the railway, will be built at an altitude higher than 4,000 meters; its highest point will be 5,072 meters above sea level. Workers need special equipment to work in the low temperatures and low-oxygen climate; even the concrete mixers have to be specially heated. More than 632 km of track will be laid on permanently frozen ground. Cold, oxygen-poor atmosphere, frequent earthquakes and landslides, and extreme and volatile weather, are constant problems.

The Qinghai-Tibet railroad is an experiment in new mate-

FIGURE 8

Proposed 'Mekong Cascade' System of Dams and Reservoirs



rials and technologies. Chinese engineers are consulting with rail experts from Russia and Canada, who have dealt with frozen-soil engineering; advanced and new technologies from both countries, including magnetic materials, are being used in construction. The frozen earth will be protected by special insulation materials laid on the rail bed.

This area is also the most important watershed of all Asia: The Tibetan plateau is the source of the greatest Asian rivers, including the Yangtze and Yellow Rivers in China; the Indus, which flows through Pakistan, the Zangbo-Brahmaputra which flows into India and Bangladesh; the Salween and Irrawaddy, which flow through Myanmar; and the great Mekong, which flows from China through Myanmar, Thailand, Cambodia, Laos, and Vietnam. Preservation of the lakes and wetlands in these rivers' headwaters, is essential.

The rail line is of great international importance. First, it could potentially be linked to India—which still has no international rail connections to the rest of Eurasia! South Asia's rail lines do not extend beyond Pakistan and Bangladesh. Geographically, the approach to Tibet from the Indian side, although formidable, is easier than that across China. Historically, the main access to Tibet went from Darjeeling

in northeast India, to Shigatze and Lhasa. Once the railroad is built to Lhasa and Shigatze, a connection from China into India, could be built relatively rapidly, and would be an enormous achievement in uniting Eurasia.

Secondly, it is planned that the Qinghai-Tibet Railroad will be eventually extended to Yunnan Province in southwest China, the gateway to Southeast Asia. Again, geographically, the route through what is now Myanmar was historically the main route into southwest China from Southeast Asia. The famous "Burma Road" built on this route during World War II, is only one example.

There is enormous potential of the region that could be realized with the great Mekong Valley Project and the Pan-Asian Railroad project.

Industry and Urbanization

China must make great strides, in both industrial capability, and bringing its population into modern cities, if it wants to reach its development goals. Its current production is comparatively *more* expensive than the world average, according to the February 2002 "Report on China's Strategy for Sustainable Development," by the Chinese Academy of Sciences. This is another proof that China is, despite certain propaganda, still a developing sector nation, the report stated. Production costs in China overall are 20% higher than in other nations, due to the economic backwardness. The added "development cost" is what the government must now spend, in capital and infrastructure construction, to bring about the current economic growth.

Such vital sectors as mining have been allowed to become impoverished. Lack of investment, including in prospecting, left China facing the possible depletion of many vital mineral resources. This, despite the fact that mining provides 80% and 93% of raw materials and energy. Lack of investment has also meant that the country's 21 million miners have become a low-income group. Fatal accidents occur regularly.

China will need at least another 20 years to become an industrialized nation, and another 30-40 years, to become a fully modern country, said Xu Kungdi, President of China's Academy of Engineering, in October 2002. While it has achieved the building of an independent national industrial system, it is still "far behind" the advanced sector in most engineering science and technology fields. The country is already a leading industrial producer, and in 1999, was a top world producer of steel, cement, coal, chemical fertilizer, and televisions, but it must focus on developing basic science and engineering.

China also urgently needs machinery and machine tools. In 2000, it was announced that the construction machinery market would become the world's biggest within the next decade. "Tens of billions of yuan" would have to be poured



A nuclear power plant in Guangdong (left). Despite the abundance of hydroelectric potential in Southeast Asia, serious economic development depends on nuclear power. China operates what is currently the world's only Modular High-Temperature Gas-Cooled Reactor, at Tsinghua.

into the building equipment industry, a Trade Commission official said. China was already supplying 60% of its own needs, but it was also importing \$1 billion worth of machinery a year, as of 1995. By early 2003, China had become the world's largest consumer of machine tools, worth some \$5.5 billion—half of that imported—due to its infrastructure investment, as the China Machine Tools Association announced in March. In two years, machine tools purchases were projected to be worth \$7 billion—again, half of that imported.

The urgency of making China into a modern urban nation was brought out in the “China Urban Development Report 2001-2002,” a strategy for the next 50 years, commissioned by the Association of Chinese Mayors. Only by urbanizing, can China sustain its industrial and overall economic growth. The report foresees accomplishing this by the planned and workable creation of “super-cities”: clusters of large, medium-sized, and small cities forming “a virtuous circle for the exchange of goods, information, capital, personnel, and technology.” The process would start with better management of the three “super-cities” along the east coast: the Beijing-Tianjin corridor, the Changjiang (Yangtze River) Delta, and the Pearl River Delta. The report also discusses the creation of “economic belts” in the interior, and development of key cities in the central and western regions.

Eventually, these areas will be inhabited by more than 50% of the population, which will peak at 1.6 billion by 2050. The urban areas will produce 90% of China's industrial out-

put, account for 95% of total trade, and produce 80% of overall GDP.

Prof. Niu Wenyuan of the Academy of Sciences, chief author of the report, said that China needs a new strategy for urbanization. Urbanization has been much too slow so far; it is now around 37%, compared with 75% or higher in the wealthier countries. China will need to transform 500-600 million peasants into economically active city-dwellers, Niu wrote. However, at the same time, it must not repeat the mistakes of other developing countries, where overly huge, but impoverished “mega-cities”—such as Mexico City, Manila, and Jakarta—have grown up. Populations of poor rural areas must be moved into urbanization in a rational way, so that eventually only 20% of the population remains in agriculture. To achieve 75% urbanization by 2050, China will need to relocate 10-12 million peasants each year, at the cost of 350 billion yuan a year, 4% of the 2000 GDP.

Another Academician, He Zuoxiu, emphasized that China should *not* continue to promote automobile use, as has been done in Beijing. A crucial component of these rational great city-systems, must be efficient transportation. Shanghai wants to become the first city in the world to have such a system, and has already started using the world's first magnetic levitation train technology, between downtown and the airport. The Shanghai plan is to create a super-city, by linking 15 cities in its 300 km radius, via a high-speed rail system.

Prof. Zhu Dajian of the Urban Development and Management Institute at Shanghai's Tongji University, has called a

“super-city” around Shanghai “the common aspiration of the people. But, if there is no ideal mode of high-speed transport to support it, then one-hour commutes within the mega-city cannot be realized.”

The first proposed line would connect Shanghai to Hangzhou, capital of Zhejiang province, 201 km away. Nanjing is 303 km away, and a maglev train could reach it in one hour. Prof. Yan Luguang of the Chinese Academy of Science, called the maglev simply the best option for China, because it is the fastest, and would only cost 20%-30% more than current high-speed trains.

Biggest Challenge: Developing the Population

China’s most urgent problem, is bridging the economic gulf between city and countryside, and between those increasingly well-off, and those who are becoming poorer. Despite China’s enormous, perhaps unprecedented, achievement of bringing 220 million people out of dire poverty in the past 25 years, the fundamental problem remains.

China was, during the first half of the last century, terribly poor: Famines were frequent; in most of China, there were no roads, and towns and villages were connected only by footpaths. Despite some real efforts at industrialization in the first decades since 1949, severe poverty was rampant, until the “reform and opening up” policy was initiated by national leader Deng Xiaoping, in 1978. In that year, there were 250 million extremely poor people in China. For these millions, per-capita income was below the 200 yuan a year (\$80) necessary for basic subsistence, and people lacked even sufficient food and clothing. Deng Xiaoping’s rural reform, abolishing the communes and re-establishing family farming, was the most important step in reducing mass poverty. Productivity shot up, and China can now more than feed and clothe itself.

From the mid-1980s, severe poverty has been cut by half. Organized efforts, focussed on the most backward areas, were begun. By late 1993, the number of rural poor—with an income less than 625 yuan (\$80) a year, the equivalent of 200 yuan in the 1980s—was reduced to 80 million, and in 2001, to 30 million, or 3% of the population. Yet the problem remains huge. In addition to those still living below the poverty line, China has another 60 million people whose annual income is less than 865 yuan (\$104). This is 10% of the rural population. In the cities, where the poverty line is an annual household income of 3,000 yuan, there are still over 45 million households, 10% of the population, living at this level or below.

At the beginning of the 1990s, over 22% of the adult population was illiterate; now, it is less than 9%. But, of the world’s 800 million illiterates, China has the second-highest number, after India. The vast majority live in the countryside, and 70% are women. The worst problem is, according to government reports, that illiteracy is *increasing* with the growing population, by about 500,000 people a year. In 200 counties in China, there is still no universal primary education, and the sharp rise in the “migrant” population, from

countryside to cities, is giving rise to more and more children who are not getting any education.

There has been a real rise in living standards. By official figures, by early 2003, disposable per-capita income for the urban population was 8,000 yuan (\$964), up from 5,160 yuan in 1997. For the rural population, it was 2,400 yuan (\$290) in 2002, up from 2,090 yuan in 1997. The Chinese Academy of Social Sciences (CASS), early this year, however, put average incomes considerably lower: urban income at 5,700 yuan and rural income at just 1,720 yuan.

Personal bank deposits are worth about 10 trillion yuan, the equivalent of \$1.2 trillion, which is double the amount in 1997, and a 20% increase just in 2002. Almost 8 trillion yuan of this is in savings accounts in renminbi.

Living conditions and diet, especially protein consumption, have improved greatly: Consumption of meat, fish, eggs and vegetables per capita is higher than the world average. However, as Lu Zhiqiang, deputy director of the Development Research Center of the State Council, told the Asian Development Bank in May 2002, income levels are “very unequal” in China, and the problem has rapidly worsened since 1978. The extent of the income polarization between urban and rural areas, and among different industries, enterprises, and institutions, is unusual among nations—worse than in some Eastern European or other Asian countries, according to well-known Chinese Academy of Sciences economist Hu Angang and his colleagues. The Chinese are greatly discontented with these disparities, as they are also with widespread corruption and dominating power of some economic groups, Lu warned: Seventy percent think that “the great disparity between the rich and the poor” has adversely affected social stability.

Most economists argue for fostering labor-intensive jobs for the underemployed and unemployed. The real question is: what jobs? China must solve its many “contradictions”: While it is building a national highway network, most rural roads are primitive; while funds are pouring into universities, rural schools are lacking, and teachers too few and underpaid, even in prosperous areas like coastal Jiangsu province. Reforestation is urgently needed in large areas of the country. Today, the United States is surviving on much of the infrastructure built by unemployed youths in New Deal programs in the 1930s; such service programs would be of real use in China—*if* the unemployed, and especially their children, also have access to education and health programs.

Economist Fan Gang emphasized this point in a commentary published in the *People’s Daily* in January 2003, in anticipation of the important March national congresses, which brought in China’s new leadership. Fan wrote that it is crucial for China to ensure that its agriculture and basic industry are developed, so that the economy does not get “dragged into a mire” of too much “high-tech” and service “industrialization.” Party policy is to foster a “new type of industrialization,” but this is being interpreted by some local governments

as license to dive into service and high-tech industries, while leaving primary and secondary industries, such as agriculture, mining, and manufacturing inadequately capitalized.

The real policy of the government is to use advanced technologies to expand industry, but also to maintain a high employment rate. Localist policies have led to severe problems before, such as during the runaway inflation of 1988-89. Now, two-thirds of China's technical professionals are working in the service sector, rather than in manufacturing, and total social investment in manufacturing has declined during the past five years. "It's ridiculous for all cities to spearhead the hi-tech industries," stated Zhu Gaofeng of the Chinese Academy of Engineering. "Without development in the manufacturing sector, all the other industries cannot grow healthily, which will further worsen the unemployment problem, impede the general improvement of people's living condition and even jeopardize the nation's stability and security."

The Farm Sector

In March 2002, Prime Minister Zhu Rongji told the National People's Congress, that in comparison to the cities, "China's rural population, numbering about 800 million, are not seeing any rapid increase in their income. In certain areas, they have even seen a drop in their income." China already has an "excess" supply of grain, soybeans, and other produce, so that prices were already depressed, even before China joined the World Trade Organization at the end of 2001.

Under the "contract responsibility system" adopted at the beginning of the 1980s, peasants were given contracts to use and manage land—still, ultimately, government controlled. The initial contracts with rural authorities were extended for another 30 years in 1993. Now, during the March 2003 National Party Congress, new laws were passed to deal with rampant corruption in rural areas, and eliminate the heavy "fees" which farmers have been subject to, for every service from education to medical care. Now, for the first time, farmers have 30-year guaranteed rights to use their contracted land, and women, married or not, will get equal rights. Farmers will also be able to legally transfer, re-contract, and exchange the land use rights. This law should offer some redress to farmers, who have been resorting to violence.

Press commentaries are calling on the government to go much further. Effective national mechanisms for agricultural investment are needed, as is a network of financial institutions specialized in providing capital for farmers—something which was created in both Germany and the United States during the 19th Century. Such institutions should be backed by the government, which should work out preferential policies in tax, services and pricing, the commentaries demand.

But the most urgent problem, is the vast scale of rural unemployment. Even official figures say that China has already 150 million "surplus" rural workers, 20% of the population, and it is openly discussed that the real figure could be more than 200 million. The daunting size of the population,

the very small farm holdings, and the backwardness of the rural economy, have led to the surplus. An estimated 100 million rural unemployed have joined the flow of migrants to the cities, where they work in construction and other labor, but many more jobs are urgently needed.

Urban Unemployment, and 'WTO Problem'

Wang Dongjin, vice minister of Labor and Social Security, announced in Beijing in April 2002, that in the coming four years, China will face the most serious unemployment problem it has ever had. Urban unemployment could rise to more than 20 million, he warned. If the high number of "surplus" rural workers is included, according to a report released by the Ministry of Labor and Social Security in Spring 2002, the total unemployed workforce in China is approaching 170 million people.

Chinese official unemployment figures do not include many of those laid off due to the restructuring of the state industries, because they still receive living allowances and some benefits from their former workplaces. Between 1998-2001, some 26 million have been laid off, most from the lowest-skill sectors such as coal mining and textiles. Unofficial figures report the total at twice that by the end of 2002. Finding new work has become increasingly difficult. In 1998, according to official figures, over 50% of laid-off workers found new jobs, but in 2002, only 9% were re-employed.

Another 12-13 million new workers will come into the labor market every year for the coming four years. Wang Dongjin said, "It is estimated that only 8 million jobs can be generated annually over this period, even with the country's current economic growth rate. The pressure will be around for years." Younger workers, under 35, now account for more than 60% of the total, up from less than 50% two years ago.

In June 2002, the CASS was warning that urban unemployment was much closer to 7% than 4%, a figure confirmed by Labor Minister Zhang Zuoji at a Beijing press conference five months later, when he said, "China is facing great employment pressure now." China will have 14 million jobless people this year, including almost 8 million registered as looking for work, and another 6 million laid off from state-owned enterprises, Zhang said—about 7% of the urban workforce. The problem had been the focus of a national conference, involving its highest-level leadership, in September.

The vast majority of the unemployed are barely educated, with few or no skills at all. Industrial technology has changed, but they have not been re-trained. The lack of skilled labor is critical. Prof. Zeng Xiangquan of Beijing's People's University, said in September 2002, that just 3.5% of China's 70 million technical workers are "advanced-skills" workers, compared to about 40% in most developed countries. China urgently needs to have 600,000 operators of computer-controlled machine tools. Production suffers: Only 70% of Chinese products are up to standard, and substandard products cause losses of 200 million yuan each year.

At the same time, some 700,000 college graduates cannot find work.

The government has pledged to keep the registered unemployment rate below 4.5%, and create 9.5 million jobs; the task is enormous.

China's entry into the World Trade Organization, taken at very unequal terms under heavy U.S. pressure, is rapidly worsening the situation. It was openly acknowledged by President Bill Clinton that China had made *all* the concessions in joining the WTO; indeed, Washington put Prime Minister Zhu Rongji in a difficult position, when he was already on his way to the United States in April 1999, demanding he make the concessions which China had adamantly refused, or face an embarrassing diplomatic situation. It took almost two more years of U.S. and European arm-twisting, to get China into the WTO.

The results are taking effect. The CASS warned already last Spring, that urban unemployment in China would rise 2% a year during the first four years of WTO membership, costing 4 million people a year their jobs.

Predictions of "eventual" increases in "job opportunities," 10 years after joining the WTO, are most unreliable. These are based on projections of improvements in international trade, highly unlikely in the current world economic disaster. Already by 2005, China will have to carry out all the tariff and other concessions agreed to—if the current international financial system is still around by then.

Unfortunately, the rural population will be even harder hit: Up to 10 million farmers are expected to be out of work, as much cheaper foreign grain and other agricultural products enter China. Grain imports were already 40 million tons in 2002, some 9% of domestic production. Some 25 million grain farmers will lose 100-130 yuan, a significant part of their income, and those who work poor-quality land will be especially hard-hit. Southern China is now importing more and more grain and soybeans, leaving farmers in the northeast without markets. Domestic production costs are high, making prices 60% higher than on the international market.

The New Generation

This Spring, amidst an extremely volatile world situation, China carried out a successful transition to a new government, the "fourth generation." Last year, as the world grew wilder, the critical 16th National Congress of the Chinese Communist Party was delayed for at least two months, but by November, the shift to the new leadership went ahead. General Secretary Jiang Zemin retired, and his deputy, Hu Jintao, succeeded him. Four months later, at the National People's Congress on March 15, Hu Jintao was elected President of China. Jiang Zemin, who has served two five-year terms, was re-elected as chairman of the Central Military Commission of the People's



A city government official of the major port of Lianyungang shows the Eurasian Land-Bridge route linking his city to Europe and the Atlantic, at a December 1998 conference. Eurasian-wide development is crucial to China's hope of quadrupling its economy and employing its unemployed.

Republic, the post also held by Deng Xiaoping after his retirement from the political front line. Vice Prime Minister Wen Jiabao was elected to succeed Zhu Rongji.

Both Hu Jintao and Wen Jiabao made clear, early on, that they are fully aware of the urgent problems of China's large cohort of peasants. Wen Jiabao himself comes from a very poor background, and has focussed most of his work on China's rural sector.

Already by the end of March, Beijing had announced that it will start another 14 key infrastructure projects in the western regions, and that the total new investment involved will be more than 130 billion yuan (\$15.7 billion). Projects include construction of roads, railways, power stations, water and land management, forestry, anti-desertification projects, and urban infrastructure. As the State Council's (cabinet's) Leading Group for Western Regional Development announced, "We aim to make a breakthrough with regard to the infrastructure situation in the region by 2010."

In his final speech to the NPC on March 5, which was greeted with warm and prolonged applause from the 3,000 delegates, Zhu Rongji again emphasized, what a national treasure China has been creating with its pro-active New Deal policy. "Based on the issuance of 660 billion yuan of long-term construction treasury bonds, 3.28 trillion yuan of bank loans, and funds from other sources, were generated for investment, allowing us to accomplish many large undertakings we had been wanting but [were] unable to undertake for years for lack of resources," Zhu told the Congress. At the same time, he emphasized, his government is leaving China with 17.2 trillion yuan worth of assets, to develop growth in the next decades.

LaRouche in Italy Outlines Exit Strategy From War

by Claudio Celani

Lyndon LaRouche's April 8-11 visit to Rome was full of public meetings and private discussions with political, religious, and media representatives in an Italy which finds itself in a paradoxical situation: Its government backs the U.S. war policy; its population overwhelmingly opposes it.

Italy saw the largest anti-war demonstrations worldwide, with up to 3 million people in the streets of Rome, while at the same time Prime Minister Silvio Berlusconi called "legitimate" the Anglo-American decision to invade Iraq, in defiance of international law and the United Nations. As a founding member of the European Union, the Italian government thus gave the most important political backing to the invasion, and created a severe split with EU partners France and Germany. It opened a domestic crisis as well, by alienating a most important constituency—Catholic voters who followed the Pope—indicating that Prime Minister Berlusconi might have lost his popular mandate.

LaRouche provided leadership to both opponents and supporters of the government, illustrating the nature of the "chicken-hawk" faction controlling U.S. policy, and indicating how the political class must use the legitimized peace movement to provide a peace-building policy based on economic development strategy. LaRouche's intervention might have cast the seeds for switching Italian policy back to its traditional republican role.

LaRouche outlined the exit strategy from the war policy already in his public appearance April 8 at the Rome Capitol, as a special guest at a conference organized to present the new book by economist Dr. Nino Galloni. Other speakers were Paolo Raimondi, President of the Italian Solidarity Movement; Pino Battaglia, President of the Committee on Social Security Policies of the Rome municipality; Elisa Manna of the well-known CENSIS research center; Matteo Costantini, President of the Young Europeans Movement; and Mario De

Luca from the Lazio Region administration.

The Capitol meeting's theme was reiterated throughout LaRouche's Rome visit: The world is characterized by a drive for a world dictatorship led by a fascist clique controlling the U.S. Executive, and by the disintegration of the world financial and monetary system. The relation between the two aspects is similar to the relationship between the economic crisis in 1929-30 and Hitler's rise to power, he said, explaining how the Nazi party was rescued and put in power by Anglo-American money which did not want "New Deal" cooperation between Roosevelt's U.S.A. and the von Schleicher chancellorship. Like the 1933 Reichstag Fire, Sept. 11, 2001 was used to carry out a coup in the United States. Europeans must know the real nature of the problem, to take the first step towards the solution.

Peace demonstrations are not sufficient to avoid war, LaRouche said, but they give legitimization to those political leaders who develop actions to stop the war. Above all, these actions must occur on a strategic-economic level, with the perspective of Eurasia-wide economic development, made possible by putting the current bankrupt financial and monetary system through bankruptcy reorganization and establishing a new system able to generate credit for long-term investment and trade agreements on the Eurasian continent.

'Devastating Critique' of U.S. Policy

Nino Galloni's book, *Beyond Sustainable Development: Environment as Target, Growth as Constraint*, is initiating a revolution in the Italian left. It rejects not only "shareholder value" as the paradigm for economic policy, but also its false alternative, the neo-Malthusian ideology of "sustainable growth." Instead, Galloni maintains, we should go back to scientific and technological growth, the only "constraint" able to generate resources and improve environmental condi-



Lyndon LaRouche (second from right) in the Capitol in Rome at the announcement of a new book by economist Dr. Nino Galloni (fourth from right). Agenparl headlined: "LaRouche: Europe Should Have Close Relations to Russia, India, and China."

tions as well.

To make the point, Galloni went through elementary—but forgotten—illustrations of how a different, superior technology increases the availability of resources by orders of magnitude. LaRouche developed the subject by placing the issue of the relationships between man and nature in the context of V.I. Vernadsky's scientific theory, according to which human cognitive activity is an indispensable element of the physical development of the universe. This proposition was welcomed by all speakers and by long applause by the more than 100 persons filling the room in the Capitol building.

Commenting on LaRouche's speech, Mr. Battaglia from the Rome municipality remarked that LaRouche could hardly be called "anti-American"; and yet, "his critique is perhaps the most devastating one we have recently heard to the current American policy, and we thank him for that." Other speakers referred to LaRouche as setting the standard for the discussion, while members of the audience posed several questions, such as, "What is the difference between the historical Bretton Woods and the one you are proposing today?" This gave the American Presidential candidate the possibility to develop the idea of a credit-generating system, based on a national-banking policy and on trade agreements among groups of sovereign nations.

This issue was also a subject of discussion the next day, at a meeting with members of the Italian Parliament organized by Senators Patrizia Toja and Oskar Peterlini. Participants raised the issue of re-establishing a regime of international law as a political priority to prevent world chaos, and asked

LaRouche whether this should involve a strengthening of the United Nations' functions. LaRouche warned against a world authority as a remedy to world disorder, as a world authority gives impulse to a world empire. The UN is the best thing we have, he said, and we must keep working through it; but he suggested that Italy move through the EU as a group of cooperating nations, to stimulate Eurasian treaty agreements with China, India, Russia, etc.

The national legislators informed LaRouche that an initiative is under way to introduce in the Senate the same kind of resolution for a "new world financial architecture" which was approved in September 2002 by the Chamber of Representatives.

The issue of international law was also up front in private meetings with religious representatives, who stressed the Pope's most recent speeches on the subject. Even political representatives of the government majority, who publicly support the U.S. government, told LaRouche privately that they consider the Iraq war's disruption of international legality as a disaster. What surprised them most, however, was the absence of opposition in the U.S. Congress, even compared to that against Prime Minister Tony Blair in the British Parliament. The problem, LaRouche explained, is that the same financial interests behind the chicken-hawks control the leadership of the Democratic Party. There are members of Congress who only need leadership, which is LaRouche's task, in order to stand up and wage an opposition fight.

The candidate also answered many questions at a meeting with members of the Italian Institute for Asia, where the dis-

cussion focussed on aspects of the Eurasian Land-Bridge development perspective, including how to protect Italian production from low-cost imports out of Asia. It has been calculated that 20-40% of Italian small and middle-sized enterprises risk disappearing because of low-cost competition from Asian producers. LaRouche's solution lies in long-term (25-year) trade agreements between EU nations and countries such as China. When such treaty agreements stipulate that European nations will supply China with capital goods and cheap credits, protective tariffs can be agreed upon, based on an estimation of what the long-term trade balance will be.

LaRouche was also guest of the Sandro Pertini Center, a political association named after the late State President (1978-85), Resistance and socialist leader. He was interviewed by the regional television Teletuscolano (see below). The Parliamentary news agency Agenparl reported on the Capitol meeting: "The American economist Lyndon H. LaRouche started off posing the themes dealt with in Galloni's book, in the broader context of the two main crises facing us today: the final phase of collapse of the present world financial system, and the influence of a minority group, . . . which supports the logic of war. LaRouche made a parallel with the economic crisis of the 1930s, and the rise to power of Hitler. LaRouche concluded by proposing a perspective of economic recovery for Europe, only through cooperation with Russia and other countries with an economic growth trend, such as India and China." Two other press agencies, AISE and OP, reported the news. Furthermore, on April 9, the online magazine *Vita* published an interview with LaRouche in which the candidate was quoted that "Bush's chances for reelection, if the U.S.A. continues to exist under its Constitution, are less than zero."

Lyndon H. LaRouche, Jr.

Time for Mankind To Come Out of Childhood

This speech was given in Rome on April 10, on the occasion of the public release of a book by Italian economist Dr. Nino Galloni, Beyond Sustainable Development: Environment as Target, Growth as Constraint. Subheads have been added.

To take the basic theme of Nino's book, and put it in the present global situation, we have presently two major crises facing all mankind: First, we are in the terminal phase of an economic collapse of the present world monetary-financial system; and the second problem is, we have, in my own country, a group of fascists, who are in control of a very limited President, who are determined to have world empire and

world conquest, and are now engaged in launching world war. The two crises are related in the same way, that the crisis of the 1930s was related to the coming to power of Adolf Hitler. And therefore, while peace movements are useful politically, they will not stop war.

Remember, this war is organized by a tiny minority inside the United States, a *dirty* tiny minority. They are opposed by the leading generals of the Army and Marine Corps, with some of whom I've been in communication. It's opposed by the leading diplomats in the United States. Unfortunately, to stop the war, you have to pull the strings of power, to prevent these people, who presently control these strings, from carrying out the war. And, it's an often-overlooked principle of statecraft: *Someone must have the will, to stop war, who's in a position of power to stop it.* But also, it means the conditions to stop the war, because the continuation of the collapse of the world economy, will mean were inevitable, in any case.

Eurasian Development

So, let's look at Nino Galloni's book, in terms of the Eurasian aspect, of the conditions for stopping the war-drive, in Eurasia, as such. Now, Western Europe is now hopelessly bankrupt. The level of production will not maintain society at its present standard of living. On the other side of Eurasia, we have China, India, and other countries, which are the largest part of the world's population. China is growing. China will grow. If we can stop the danger of war with North Korea, we have a North Asian group of Japan, Korea, and part of Russia, which are key to this recovery. The ASEAN+3 group, which includes Southeast Asia, is engaged now in large-scale Mekong development project, for the whole region. We saw with the recent visit of Germany's Chancellor Schröder to Shanghai, the policy of technology transfer between Germany and China, was a key part of this discussion. We're trying to find a way to have peace in the Koreas, to unify them, at least in practice. It's a difficult problem, but I believe it can be solved, which is made worse by the Iraq War, which put the North Koreans into a stubborn mood. We're discussing these matters with our friends in India.

We have, now, therefore a China-India-Russia complex of cooperation, which is growing organically. Therefore, Western Europe can recover, economically, through large-scale trade with China, India, Southeast Asia, and so forth, through Russia. The potential is gigantic.

But the key, then, comes back to the question of this book: The largest concentration of so-called "natural" mineral resources in Eurasia, is in North and Central Asia—the largely arid region of Central Asia and the tundra region in the north of Asia. Central Asia is dry; great rivers flow into the Arctic Ocean. Here, from these natural resources, come the *future* of the population, the growing population of Asia—East Asia and South Asia.

So, to take a different view of this matter, take the work of the great Vladimir Vernadsky, who, from the standpoint of experimental physical chemistry, defined the universe as

composed of three elements: Those universal principles which are abiotic; those physical principles which occur only as an effect of life; those changes in the Biosphere, which are the effect of man's mind. The challenge is, therefore: In order to have a long-term, 25- to 50-year prospect for peace and security in Asia, and Eurasia, we must manage the Biosphere and Noösphere, for man. We must have a sense of unlimited frontiers for human development through scientific progress.

We must couple this, with correcting a great injustice on this planet. We've discussed Italy in terms of the Mezzogiorno. We have large areas of populations, which are deprived of the rightful conditions of life, in the desperately poor populations of India, for example. So, the question of social justice and the question of economic development can not be separated. Our job is to create the conditions of development, under which the goals of human justice can be fulfilled, and, this must be planet-wide. But Eurasia is the largest single component.

We must stop treating man as an animal, who has limited technological capabilities. Man is not an animal. Man has a creative power of discovery of universal physical principles, which no animal has. If man were an animal, he would be a great ape, and there would be about, never more than several million such great apes living on this planet. We have over 6 billion people living on this planet today. Man is not an ape!

Therefore, we must provide the conditions, which put the emphasis on the nature of man. Man in the image of the Creator. Man developing his powers of reason, to make and implement the discoveries, which meet the goals of human requirements. We must, as Nino Galloni does, take the blinders off our eyes, and see what man can do. We don't have limited resources; we have too many limited mentalities. If we want to find our identity, our immortality, in the brief life we have, we must use our life to give a gift to future generations, so they can live better, and more secure, than we. It's time for mankind to come out of childhood, and grow up. My view, that only a vision of what we can do with this planet, for human beings, will give us the power to ensure that *no future world war occurs*.

Thank you.

Environmentalism and the New Bretton Woods

In reply to a question:

I don't agree with the Stockholm Resolution, on scientific grounds. I believe that the arguments that were made, were scientifically incompetent, just as the global warming doctrine is incompetent. If you increase the amount of carbon dioxide in the atmosphere, by a modest amount, the plants will be very happy. You will have richer harvests. And it will not adversely affect normal people, who do not have lung impairments.

These ideas, that there are limits to growth, inherent in nature, have never been scientifically proven. The problem is, is we have a social-political problem.

Now, with New Bretton Woods, the difference is this: We have a system now, which is doomed. Either the human race leaves this planet, or the present monetary-financial system leaves this planet—one of the two. The total amount of debt, in the world system, is such, that could never be paid. The level of government expenditure required to maintain society in decent condition today, *exceeds the revenues* that government can acquire. *The system is bankrupt*. If we don't stop the bankruptcy, we will kill the people.

Now, the solution is obvious: The obvious solution is, *the nation-state, which is the representative of the people as a whole, must put the system into bankruptcy*. There also must be cooperation among sovereign nation-states, not just by one at a time. The last successful attempt of this type, was 1944, at Bretton Woods. It worked for the development of continental Europe and other parts of the world, up until about the beginning of the '70s.

Two things produced the bankruptcy: Beginning about 1964, in the United States and Great Britain—the United Kingdom—there was an ideologically motivated shift away from a production society, to a consumer society, which was associated with the spread of the ideology, of the so-called “rock-drug-sex youth-counterculture.” So, we destroyed the conception of society, in which people produced, in the United States, and in the United Kingdom. Continental Europe continued to progress, however, into the 1970s, while the United States and the United Kingdom were already in *physical* collapse. So, the United States and United Kingdom prospered by sucking the blood of the rest of the world, through their heart.

Then, we had the 1971 change of the monetary system, the floating exchange-rate system. That system is now totally bankrupt.

So, the point is, governments must now intervene, to set up, to put the thing into bankruptcy reorganization. We have two models for this: We have the model of Franklin Roosevelt in the United States, from 1933 on. How do we reorganize a bankrupt economy? The second one we have, is the post-war reconstruction coming out of Bretton Woods. So, we're going to have to do the same thing then, that we did between 1946 and 1958 in Europe. Those rules—they were changed afterward, but they still worked somewhat—but, 1958 was the end of the first, initial phase of rules.

So, New Bretton Woods has two meanings: One, is its practical meaning, because it's the only experience in recent generations' history that would work today. The second is political: You can not introduce sudden, vast changes in society, unless you have a precedent that the people in society can understand. The argument is: What we had from 1946 into the 1960s worked; what we had since 1971, has proven to be a catastrophe. Go back to what worked, and start there. Of course, there will be differences, but the principle is the same.

‘Four Democratic Candidates Stand Out’

Tele 23 of the Lazio region, which includes Rome, aired a live interview with U.S. Presidential pre-candidate Lyndon LaRouche, along with Italian economist Dr. Nino Galloni, on April 10. Dr. Galloni’s book on development projects and new economic/monetary policies, Present at the Event, had been released that day.

Tele 23: What will be the consequences of the war in Iraq?

LaRouche: Well, in history, when you have major breakdown crises in the economy, in monetary-financial systems, there’s always the danger that someone may try to exploit the crisis, as a moment of opportunity to make a coup, as was done in Germany in 1933. We face a similar situation today.

Tele 23: What was Bush’s mistake?

LaRouche: Well, Bush is essentially a puppet of a group of lackeys in his Administration, headed by the Vice President, Dick Cheney. The operation was a manipulation of the President, who is not the most brilliant man in the world.

Tele 23: The word “puppet” is strong.

LaRouche: Maybe so, but it’s the truth.

Tele 23: Very well. Why does the American public support Bush at this time?

LaRouche: They don’t.

Tele 23: They don’t?

LaRouche: No, this is a—we’re in war. And under wartime rules, the major press of the United States lies most of the time. It lies for purposes of policy. Behind the scenes, if you know the inside of the United States, the local communities, the local newspapers—not CNN, not Conrad Black’s press, not Rupert Murdoch’s press—then you get a completely different picture. The voices which contradict the President, or contradict Cheney, or contradict Rumsfeld, are less heard on certain channels. But if you look for them, you’ll find them.

Now, there is no majority support. The problem is, that despite the fact that many of the leading institutions of the United States—such as the military, the serving military—are opposed to these policies as insane, irresponsible; most of the intelligence community is opposed to it. A small group’s voice is heard. And the problem is, that the Democratic Party, which should be the opposition, presently, or recently, has

not responded as it should. Once they do, you will get a very clear indication of the opposition to this war, or the continuing war, from the American people.

Tele 23: Under conditions of this war, what is the political possibility of the Democrats retaking power in the United States?

LaRouche: I wouldn’t look at it that way. I would say that the first job of the Democrats, at this point, since the election is more than a year away, is to save the country and save the world. The job of the Democrats should be to join with leading forces in Europe, in finding alternatives to this *ongoing* war, which has now threatened Syria, which threatens Iran, which threatens North Korea, which ultimately threatens China. We do not need this war. And the job of the American patriot, especially in the Democratic Party, is to join with those in Europe, who oppose this war, and force a reasonable discussion of the issues.

Tele 23: Explain for our Italian citizens: The U.S. media says that 70% of the American people are with Bush; you say it is not true. Tell us then, where should we look for the truth?

LaRouche: Well, it takes a bit of work, particularly when you’re up against a dictatorial condition. Under warfare conditions, the United States and the British, since World War II, have maintained that propaganda, or news reporting and propaganda, are a military-strategic interest. And therefore, they make great effort—

For example, you have Bolton here, visiting Rome, I believe, yesterday. Bolton is one of the people who have pushed for the war, one of the puppet-controllers of the President. Certainly what he said here was not truthful. What I’ve seen on television from statements from Cheney, from Rumsfeld, are not truthful statements. There are other sources. Admittedly, for the average person, depending on public news media, it’s difficult for them to get the truth. Those who are professionals, who know how to investigate, as international journalists, can get at the truth, if they have the resources to check *all* the sources, which do exist and are available, through places like the Internet—they can get many alternative sources, which are reliable and useful ones.

Tele 23: What is the American people’s view of President Bush, and is it justified?

LaRouche: Bush is a very limited man, and I don’t pick on him too much. I don’t like him. I think he’s incompetent, but I don’t think he is the intellectual author of many of these problems. He’s not capable of being that. The problem here is, as Nino [Galloni] has just said, the issue is: We’re in the worst financial crisis, and monetary crisis, since the 1928-1933 period. The danger of war now, arises—not as a result of the economic conditions—but under *those kinds of economic conditions*, attempted dictatorships and wars often break out.

Our concern, and my concern in particular, is to push

the economic alternatives to war, and thus, get a motion among the people for a peaceful solution to the problems of the economy; and in most conditions, I believe the opposition to the war will become effective. The problem is, we are not effectively addressing the economic crisis. This creates a vacuum, people are confused; they sense a lack of leadership; and therefore, they sit and they watch this war, and they say it's happening; what can we do about it?

Tele 23: How do you begin to counter the propaganda, as you call it?

LaRouche: Practically, in the United States, this is going to center around the Presidential campaign which is now beginning in the United States. In the Democratic Party, there are four figures who are outstanding as Presidential candidates. I'm one of the four. One of the four, Lieberman, is doomed, because he's a violent pro-war candidate, and he won't last. Edwards is little known, except in his own state, where he has certain popularity. Kerry of Massachusetts, the Senator, is the leading rival, I would say, that I have, in terms of this point. Kerry and I would probably get along fairly well, on the war issue, which probably means that the Democratic Party is going to increasingly move, not just on an anti-war program, but an economic recovery program, echoing Franklin Delano Roosevelt's methods, back in the 1930s. So, this is where I think the significant opposition will occur.

In Europe, we have a bankrupt Europe, which needs markets, especially Western Europe. China, to some degree Russia, India, Southeast Asia, are the markets which can pull Europe, Western Europe, out of its economic crisis. Therefore, we in Europe, and in the United States, have a similar problem. Different countries, different particular contexts—we need the *same kind of policy*. Therefore, we must bring the United States back together in partnership with Western Europe and other countries, in projects such as the development of Asia, and projects which build up the economy of the world. We've got to get out of this depression, get out of it now. The opposition, I believe, to the war, or continued war, will come from those who have confidence that we, in Europe, the United States, Asia, are moving to rebuild the economy and give a future to our children.

Tele 23: Mr. LaRouche, what will be the platform of your Presidential campaign?

LaRouche: Basically, it is general economic reform, using the lessons of Franklin Delano Roosevelt's successes in order to approach the present situation. Even though the solutions



Presidential pre-candidate LaRouche, who was interviewed on April 10 by Rome regional television, is shown at an economics event at the Campidoglio in Rome which preceded the interview.

are somewhat different, the state of mind, the attitude is the same.

Tele 23: It is hoped that you will succeed in reviving the programs you have outlined.

LaRouche: What I'm trying to do to that end, is to maintain intensive discussions with my friends in Europe and other parts of the world, and to try to bring together a colloquium on these issues now, for a meeting of the minds. I'm convinced if we can meet the appropriate meeting of the minds, we will come to an agreement and get the job done.

Tele 23: Meanwhile?

LaRouche: Let us work together to pull this world out of the present mess. The problems are different in different countries, but the solutions are based on the same principles.

[Brief exchange between the host and Galloni.]

Tele 23: Thanks to all.

Galloni: Next time like the President!

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Iraqi People Speak Out For National Sovereignty

by Hussein Askary

All indications from the ground in Iraq point to the fact that the Iraqi people are expressing a strong feeling that the American and British occupation forces are not welcome in the country. This might sound frustrating for some Americans who supported the war and for the U.S. troops who might have thought they were fighting for the freedom of the Iraqi people, but it is true. The U.S. and British armies, now occupying Iraq, are obliged under international law to restore stability, security, territorial integrity, and vital services for the Iraqi population such as clean water, electricity, food, and medical care. To that extent, the Iraqi population seems to be willing to cooperate with the occupation forces to restore normal life in the short term. Anything beyond that—for example, if the United States and Britain insist on staying there as some sort of colonial military administration or choosing the political leadership for the country—will result in a bloody confrontation with the Iraqi people.

Surely, almost all Iraqis feel some sort of a relief that Saddam's dictatorship has ended. Nonetheless, they strongly oppose the presence of any foreign forces on their soil. This has been expressed by many Iraqis who have been interviewed in the media, and by those demonstrating daily in many Iraqi cities and in front of the Palestine Hotel in Baghdad, the headquarters of the U.S. military command in the Iraqi capital. After years of U.S.-backed sanctions that killed hundreds of thousands of Iraqi children, and the recent terrifying and often indiscriminate bombing campaign against civilian targets, Iraqis have no flowers or cheers to offer the "invaders." The barbaric looting and arson operations against vital economic and cultural institutions, conducted under the passive eye of U.S. troops, just confirmed to the Iraqi population that this is another "Mongol invasion" to destroy the culture and identity of this nation.

'The Day-After' Plans Don't Work

None of the U.S. "post-Saddam" schemes for ruling Iraq have worked. They missed a "tiny" detail when they planned this: the Iraqi people. These plans, like other lies pushed by Vice President Dick Cheney, to the effect that the Iraqis would not resist an invading force and would come out to welcome the U.S. troops as liberators, were worked out by the fascist neo-conservative civilian gang in the Department of Defense and the some Iraqi "experts," such as Ahmed Chalabi and Kanan Makiya. These lies cost the lives of thousands of Iraqis and scores of U.S. and British troops.

On April 15, the U.S.-backed Iraqi "opposition" groups were supposed to have the first meeting inside Iraq to discuss the post-Saddam transitional administration. The meeting was organized by the U.S. retired army general and "Viceroy of Iraq," Jay Garner, at the ancient site of Ur, outside the southern city of al-Nasiriya. While the meeting was boycotted by the largest opposition groups representing the Shi'a majority in southern Iraq—the Supreme Council of the Islamic Revolution in Iraq (SCIRI) and al-Daawa party—in the streets of al-Nasiriya tens of thousands of Iraqis were demonstrating in protest against this meeting. Shouting slogans like "Yes to freedom, Yes to Islam, No to America, No to Saddam," the 20,000 protesters made clear their rejection of any occupation government. They carried posters saying their leadership was in Najaf, the Shi'ite holy city, where the Shi'ite religious leadership sits. The deputy chairman and spokesman for SCIRI, Abdul-Aziz al-Hakim, convened a press conference in Tehran where he stated: "We will not participate in the meeting in Nasiriya, and we have told that to the Americans and to other countries. What is most important is independence. . . . We refuse to put ourselves under the thumb of the Americans or any other country, because that is not in the

Iraqis' interest. . . . Iraq needs an Iraqi interim government. Anything other than this tramples the rights of the Iraqi people, and will be a return to the era of colonization."

The meeting was a non-starter, for which U.S. pro-consul Zalmay Khalilzad and Viceroy General Garner had pre-prepared a final statement to be rubber-stamped by the participants. The statement had such formulations as: creating an Iraqi federation; de facto dividing the country along ethnic lines; and removing the characteristic of Islam from the state. Of course, this was rejected even by some of those who were at the meeting. Others even rejected the existence of an American administrator for the interim period, such as Garner himself. "We will press for an Iraqi civilian administration, regardless of what the Americans say. An administration by Garner is not acceptable," said Mowaffak al-Rubaie, an Iraqi physician and opposition activist. The only decision which they agreed upon was to convene a similar meeting in ten days.

Aside from the boycott by SCIRI, the biggest power-broker in post-Saddam Iraq, there are the Kurds. Reports have it that they are unwilling to compromise on expanding their borders to include the oil-rich city of Kirkuk and the Kurdish parts of Mosul. This is strongly rejected by the majority of Iraqis and also by Iraq's neighbors, especially Turkey.

The rejection of U.S.-imposed Iraqi administrators reached a bloody pitch in the northern city of Mosul, where American soldiers shot protesters in two consecutive days, killing 12 and wounding dozens. According to TV coverage of a demonstration in Mosul, the protesters gathered at the city's administration headquarters, where Mishaan al-Jobouri, a former Iraqi official who left the country in the 1990s, and recently returned to work with the Americans, was speaking. The demonstrators were protesting against him; it appears they saw him as a collaborator. (This brought to the minds of many observers, what U.S. National Security Advisor Condoleezza Rice said about anti-war demonstrators in Washington who are "having their full freedom" to express their views, while in "Saddam's Iraq, protesters get their tongues cut" by the regime. But during the week of April 7, Iraqi protesters got their lives cut short by U.S. troops.) Al-Jobouri, a member of the dominant al-Jobouri clan in northern Iraq, is not acknowledged by all the clan's leaders and the population in Mosul as a leader. Therefore, he tried to impose himself as governor of Mosul with the help of U.S. guns.

This situation can only get worse. The only solution is to have a local government selected by the residents of Mosul and the rural clans around the city. In Mosul, there is a strong disdain toward the occupying force and those Iraqis marching under the protection of American guns.

Iraqis Reorganize Themselves

Despite ostensible cooperation with American authorities in Baghdad, on a temporary basis, to reestablish law and order, the Shi'ites under the leadership of the religious

hierarchy in Najaf, are actually setting up their own organizations. In Karbala, another holy city north of Najaf, a 35-member Local Committee elected Mohammad Hussein Nasrullah as governor general of Karbala Province. This was done without coordination with the U.S. Army or the U.S.-backed Iraqi opposition. A spokesman for the local administration stated that the situation in Karbala is satisfactory, adding that the people are awaiting the formation of an Iraqi Interim Administration. He said that the people are holding regular demonstrations demanding that an Iraqi undertake the job of leading the Interim Administration soon, rejecting a foreign national to serve as ruler of Iraq. He said that staff of government offices and hospitals have been at their jobs. The British daily *Guardian* noted that this "sends a signal to Washington that an organized alternative power already exists in Iraq, whatever coalition of exiles and local politicians emerges from meetings this week," referring to the Nasiriya meeting.

The Howza, the assembly of Shi'ite clerics based in Najaf, reportedly sent out instructions to mosques throughout the country, through its underground communications system, which functioned under Saddam Hussein's rule. The instructions told clerics and civic leaders to "establish local committees . . . to organize the affairs of the neighborhood," and to organize all civic and religious activities. One senior imam at the Buratha Mosque in Baghdad was quoted saying, "With the direction of the clerics of Najaf, we want to return this looted stuff to the people," referring to the goods looted in the days of anarchy. "We've managed to secure the water plants and electricity sub-stations and all the hospitals in the neighborhood. The next stage is that we want to have central control from Najaf over what's happening in the streets." As the *Guardian* noted, the emergence of Shi'ite defense committees "overshadowed" the return to work of police in Baghdad. As if to symbolize the power of the Shi'ites in the capital, the Shi'ite neighborhood, Saddam City, has been quickly renamed Sadr City, after Baqir al-Sadr, a Shi'ite cleric killed by the regime. There are other densely populated quarters in Baghdad, where the Shi'ites are a majority.

However, in order to cut short any attempts to give this kind of civilian organizing a sectarian character, both Sunni and Shi'ite clerics went out in joint press conferences to declare that they are working together as united Iraqis, and not simply along sectarian lines. Baghdad, home to 5 million people, is a melting pot of all Iraqis: Shi'ites from the south, Sunnis, Kurds, Christians, Turkmen, and even some Jews. These include highly educated groups, with a strong nationalist identity, and would be difficult to divide on ethnic or sectarian lines.

The danger lurks in the attempt by the U.S.-British side to "divide and conquer" and try to buy support from different factions within the various ethnic and religious groups. This already failed dramatically in Najaf, where Abdul-Majid al-Khoie, a U.S.-U.K.-supported Shi'ite cleric, was killed by an



Ahmad al-Chalabi (right) with U.S. Sen. Trent Lott. Al-Chalabi, the neo-cons' choice to run Iraq, is a British citizen and convicted swindler, viewed by Iraqis as an Anglo-American puppet.

angry mob on April 10. Al-Khoie, who had just arrived in Najaf with the U.S. forces, was regarded as a collaborator with the Anglo-American occupation. Later on, the different Shi'ite groups decided to stay united behind Ayatollah Ali al-Sistani, the supreme religious leader in Iraq, in order to avoid schisms. In Mosul, the case of Mishaa al-Jobouri is obvious. In Basra, a similar revolt was raging against former General al-Tamimi, who was appointed by the British as governor of the city.

If the U.S. and British forces insist on having a puppet regime in spite of the opposition, they would have to recruit different minority factions in the north and the south, and former Baath Party officials to rule by force, with money and weapons pouring from the United States. This would create a condition of civil war.

Al-Chalabi 'Should Get a Visa To Enter Iraq'

On the other side, the Pentagon and other warhawks are still insisting on having convicted bank swindler Ahmad al-Chalabi, leader of the exile Iraqi National Conference (INC), as their choice of leader in the transitional government of Iraq. Although Iraqi public protest forced him to state that he had no such ambitions, and he stayed away from the al-Nasiriya meeting, he is still attempting to have his own army and leadership position in Iraq.

Al-Chalabi, a British citizen who has not been in Baghdad since 1958, is not known to anyone in the country. Furthermore, he has a pending 22-year prison sentence on 13 charges of fraud in Jordan. He almost collapsed the Jordanian

currency in 1989, through bankrupting his Petra Bank in Amman, the third largest bank in Jordan at the time. His case is similar to the fraud committed by the American Enron Corp. In addition, in January 2002, the U.S. State Department suspended funding to the INC, citing "financial management and internal control weaknesses." This was one of the signs of the State Department's discomfort with Chalabi's group. In spite of this blacklist of "demerits" and disqualifications, Chalabi is still being promoted by Cheney, Secretary of Defense Donald Rumsfeld, Deputy Secretary of Defense Paul Wolfowitz, and "chicken-hawk" propagandist Richard Perle. Probably, they think that these are fitting qualities for a political leader.

With millions of dollars of his own money and much more from the Pentagon, Chalabi is trying to create his own army, in order to impose himself on the administration in Baghdad. Many observers describe the 700-man Iraqi Freedom Force (IFF) as Chalabi's bodyguards, to protect him from

the Iraqi people. He can recruit more unemployed and desperate young people to his private army with money, but this will only lead to more destabilization of the the country, and generate more hatred against the invasion force and its agents.

As one Iraqi in exile said: "Chalabi should leave Iraq now for his own safety. Next time he should seek a tourist visa to enter the country."

The Regional Dimension

Before the major military operations were concluded in Iraq, Rumsfeld and Secretary of State Colin Powell went out publicly threatening Syria and Iran for supporting terrorism and developing weapons of mass destruction. Of course that proved to everyone in the region that the intention behind launching the war against Iraq was to launch a series of imperial wars against Arab and Muslim nations, within a larger "clash of civilizations" scheme. This was the least conducive to the stability in Iraq itself. It should be remembered that the Shi'ites in Iraq, representing 65% of the Iraqi population, are historically and religiously tied to the predominantly Shi'ite nation of Iran. Most of the Iraqi religious leaders, who were prosecuted by Saddam Hussein's regime, sought refuge in Iran in the 1980s and 1990s. The largest Iraqi Shi'ite political and militant groups have been working under Iranian protection and support. Syria, too, played a role in supporting these groups against Saddam in the 1980s. The Iranians would regard it as a natural political and strategic matter to support and encourage the Iraqis in defying and resisting U.S. attempts to occupy and administer the country, which could then be a

staging ground from which similar military and political campaigns would be launched against Iran itself.

The Iranian supreme religious leader, Ayatollah Ali Khamenei, expressed that explicitly. In his Friday Prayer sermon in Tehran on April 11, Khamenei, the religious leader of a Persian-speaking nation, read a long statement in Arabic, commenting on the war in Iraq. In the front row of the attendants, there were a number of Iraqi opposition leaders, such as SCIRI's al-Hakim. While Khamenei expressed his and the Iranian nation's joy over the collapse of Saddam's regime, he stressed that the current war "was a war between two evils, Saddam's regime and the United States and Britain." He said: "In this war we decided to remain neutral, but we shall not remain neutral when there is a struggle between the occupation and the Iraqi people." He also warned Iraqi opposition leaders, that "their cooperation with the occupying forces would be regarded as a stain of shame."

Iranian President Mohammed Khatami, a moderate, also condemned any attempts to install a puppet regime in Iraq, and demanded that the Iraqi people be given the freedom to choose their own government. At a press conference in April 16, Khatami said, "The Islamic Republic condemns the U.S.-British aggression against Iraq," stressing though that this should never be interpreted as Tehran's support for the Baghdad regime. "We have suffered a lot from the regime of Saddam Hussein," Khatami said. "But that a world power seeks to impose its own will on others, relying on its modern warfare technology, regardless of the role of the UN, is also dangerous."

Now, ironically, there is a good opportunity for the U.S. Administration to repair the damage caused by this war. It can cooperate with the Iraqi people to restore normal life. It should invite the UN and other nations to help in rebuilding this nation, and help its people elect their independent, sovereign government. The U.S. Army's Corps of Engineers could do a lot to repair and improve the Iraqi infrastructure, in cooperation with Iraqi engineers. This could be done in parallel with reviving the Palestinian-Israeli peace process. The Iraqi people would forgive and forget, and look forward to establishing a lasting friendship with the people of the United States. But, as American statesman Lyndon LaRouche has emphasized, the U.S. Administration and President Bush would only be able to accomplish such an optimistic and good objective, if it cleans its ranks of the fascist neo-conservative gangsters who started this war as part of a wider plan of "perpetual imperial wars."

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'Anti-War Three' Hold St. Petersburg Meetings

by Rainer Apel

Not yet at the pace this turbulent global situation requires, but step by step, the trans-continental alliance of economic and political cooperation between France, Germany and Russia—with extensions into China and India—is making progress. This was illustrated by the April 11-12 meetings in St. Petersburg of French President Jacques Chirac, German Chancellor Gerhard Schröder, and Russian President Vladimir Putin. Visible on the horizon is the kind of Eurasian alliance which Anglo-American geopoliticians have tried to prevent or destroy for more than 100 years.

Ironically, the insane Iraq war drive of the Bush Administration, assisted (at least so far) by the British government of Tony Blair, has contributed to the acceleration of consultations among the "Anti-War Three" during the past two months. They have withstood blackmail, slanders and other coercive tactics from the pro-war cabal, and although unable to stop the war, have increased their strength through cooperation.

Whereas the "no" of the three to the war has been the catalyst of the talks, their basic conflict with the war party is an economic one: It is over the issue of whether Eurasian countries have an inalienable right to economic, technological and political development, alternate to the system of the monetaristic circles that run the inner core of the Bush Administration.

Geopoliticians Are Unhappy

The St. Petersburg event actually comprised five related, though separate events: 1) the third session of the "St. Petersburg Dialogue," which is an annually-convened forum of senior figures of the political, military, and economic elites of Germany and Russia; 2) the official celebration of the German Siemens company's presence in Russia; 3) the granting of an honorary doctoral degree of St. Petersburg University to Schröder; 4) a bilateral meeting between Schröder and Putin; and 5) a trilateral summit between these two and Chirac. Though the first three were long-planned and unrelated to the war issue, St. Petersburg nonetheless saw a highly unusual combination of events.

Western geopoliticians dislike what they have termed the "Axis Paris-Berlin-Moscow." But the more propaganda certain western mass media have been launching against that "axis" over recent weeks, the more institutionalized the contacts among Paris, Berlin, and Moscow; their intensity means



A continental cooperation alliance among France, Germany, and Russia is taking shape, as (from left) French President Chirac, Russian President Putin, and German Chancellor Schröder held two days of meetings in St. Petersburg.

they cannot be easily be undone or sabotaged any longer. At a press conference in St. Petersburg on April 12, the Russian President commented that one should not make the mistake of viewing the consultations France-Germany-Russia as an ad hoc affair linked to the Iraq issue as such. Putin said the cooperation between the three states had a longterm character and was proceeding on a broader base, with respect to stability and peace in Europe and globally.

The project of a modernization of the United Nations structure, which Putin said he discussed with Schröder and Chirac the day before, is part of that longterm cooperation perspective, he added. He called on the international media to note that this specific event in St. Petersburg was already the third based on the “St. Petersburg Dialogue” initiative of 2001 by the Germans and Russians, which he said was open to other states. Putin also stressed that other leaders, including Britain’s Blair, had been invited to St. Petersburg, but had not come; and that this tripartite meeting was not meant to remain exclusive, but would be kept open for “a much broader kind of cooperation.”

The pro-development terms of that cooperation, Putin hinted, would, however, not be very attractive to strict monetarists with their interest in control of raw materials and in generation of rapid capital revenues. At the “Siemens-150th” conference, Putin stressed the historical fact that when Siemens began laying overland telegraph cables in Russia in 1853, it made a genuine, important contribution to the modernization and economic development of the Russian nation. In return, the project in Russia was also important for the development of Siemens into a leading industrial corporation

on a world scale. Likewise, the Russian President hinted, expanded cooperation between German and Russian companies today, would allow both nations to benefit again.

The “St. Petersburg Dialogue” forum resolved on intensified scientific and cultural cooperation, and a new project of youth exchange programs—which would deal with the problematic period of two world wars in the 20th Century, but also cover the otherwise positive history of German-Russian relations over more than 300 years.

Geneva Convention Held Up to Occupiers

Concerning the Iraq issue, Putin stressed in his meetings, speeches and press statements that the tripartite summit with Schröder and Chirac was not designed to “split the international community,” but to “seek mutually acceptable solutions.” Putin said that the three leaders did not convene for the purpose of criticizing “the actions of the occupying powers” in Iraq, but that “nonetheless, ac-

ording to the Geneva Convention, it is the coalition forces that bear the responsibility for dealing with humanitarian questions.” Putin said that the UN-sponsored leadership selection process in Afghanistan, subsequently confirmed by elections, was a precedent for Iraq. International inspectors should return to the country; otherwise, alleged discoveries of weapons of mass destruction cannot be legitimate. “Only one task, the disarmament of Iraq, justified the war,” said Putin. “But WMD have not been found in Iraq, raising the question of what goals the anti-Iraq coalition did pursue.”

Schröder said at the press conference on April 11 that he fully agreed with Putin’s call “to preserve a stable, international law-based system, resting on the primacy of the UN.” Chirac added a call for a new, UN-centered “international system in which law prevails over force,” saying that only this, were an appropriate approach for the situation of mankind in the 21st Century.

Schröder and Chirac vehemently rejected the war cabal’s idea of regime change in Syria, as detrimental not only to Syria and the Mideast region, but even for longer-term “U.S. political ambitions.” The German Chancellor added that if the fall of the Saddam Hussein regime was to mean any good, it should be turned “into a victory for the Iraqi people, as well as for the other peoples in the region.”

“Wolfowitzers” may continue not to listen to the “Anti-War Three,” whose views will, however, be paid the more attention in other parts of the world, where an alternative to the Bush Administration’s destructive new world disorder is desired.

A U.S. Faction Wanted Looting of Museums

by Muriel Mirak-Weissbach

When Mongol invaders razed magnificent buildings and plundered precious objects in Baghdad seven centuries ago, they did so out of ignorance and hatred. But under the barbarian policy of the Rumsfeld Pentagon, the American armed forces deliberately and methodically allowed looting of the most important cultural institutions of Iraq, robbing it of priceless exemplars of thousands of years of history. The immediate benefactors of the operation are expected to be certain art collectors and dealers, who may reap billions from such objects. But a deeper motive for the vicious action may have been to attempt to eradicate the history of an entire people and nation.

In 1253, Hulagu, a grandson of Genghis Khan, led a huge army out of Mongolia, towards the Abbasid caliphate, which had its capital in Baghdad. By September of 1257, the Mongols proceeded down the Khurasan highway, and sent an ultimatum to the caliph, demanding his capitulation and the destruction of the outer walls of the city. Hulagu stormed the city, put the caliph and 300 officials to death (despite their surrender), and plundered the entire city, which was then set on fire. Only two major Abbasid architectural wonders survived: the Abbasid palace and the Mistansiriya University.

In 2003, after three weeks of incessant bombing raids against Baghdad, the American military took the city on April 9. By the following day, the National Museum of Baghdad had been plundered. There followed the looting of the National Library and Archives, the Library of the Korans at the Ministry of Religious Endowment, and, in Mosul, the museum and the university library.

The loss for Iraq, the Iraqi people—indeed, all of mankind—is immense. The Baghdad Museum housed the greatest collection in the world of Mesopotamian art. Its collection embraced a uniquely vast span of history, what Director Donny George has called “a complete chain of civilization”: from the Sumerian, Akkadian, Assyrian, and Babylonian to the Islamic ages. As archaeologist Roberta Venco of Italy’s University of Turin put it, “You can’t study the history, all the history of the Near East, without seeing this museum.” The museum had been closed in 1990-91, and its greatest treasures hidden. During the 1991 war, 4,000 pieces had been stolen from museums in the south and north of the country, as well as Baghdad. For ten years, it remained closed, for fear



“You can’t study the history of the Near East, without seeing this museum, said one Italian archeologist.” This bronze head of an Akkadian king was in the looted Baghdad National Museum. Found in Nineveh, it has been identified with Sargon, and comes from the Akkadian era 2350-2150 B.C. (The damage visible here was done in ancient times.)

of theft. During that decade, Iraq managed to recover large amounts of stolen goods, and to gather them all in one central location. Many precious items were stored in steel vaults. On April 28, 2000, the museum reopened its doors, with 10,000 pieces on display—about 3% of Iraq’s artifacts. Then, three years later, it was ravaged.

Among the single items in the museum before the most recent plundering, were 2nd century B.C. Parthian sculptures from Hatra; jewelry from the royal tombs of Ur, from 2500 B.C.; gold artifacts from the tombs of the Assyrian queens in Nimrud; one of the oldest surviving copies of the Koran; tablets with Hammurabi’s Code; an estimated 30-40,000 clay tablets with cuneiform inscriptions, including the oldest examples of written tablets, from before 3000 B.C.; cylinder seals; the earliest mathematical tables from Tell Harmal; a solid gold harp from from the Sumerian era (3360-2000 B.C.); 4,000-year-old Sumerian sculptures; ancient stone carvings of royalty, and bulls; ivory figurines; friezes of soldiers; and records of every archaeological expedition in Iraq since the 1930s.

The director of the Roman-Germanic Museum in Mainz, Germany, told *Neue Solidarität* newspaper, that in addition to art objects, also computers and archives had been destroyed in the looting. This means that, even if all the objects were returned, it would not be possible to order the objects historically: where they were found, when, from what period they come, etc. And it is precisely in the historical ordering of the artifacts, not in the single objects as such, that the true value is located. He added that if what is known as the “basic book” (a detailed catalogue, historically ordered) is gone, everything is gone. The only possible remedy would be to reconstruct this through the collation of other existing catalogues.

How and Why?

Dozens of eye-witness reports, by journalists and others, have established the fact that the looting of the National Museum was carried out under the noses of the American military present, and that, despite repeated demands that they intervene to halt the theft, they stood idly by. As reported in the *New York Times* on April 12, an Iraqi archaeologist, Raid Abdul Ridhar Muhammed, said that at about 1:00 p.m. on April 10, he had gone personally to fetch American troops to stop the looting. Five marines followed him back to the building, and fired warning shots in the air, dispersing the looters. However, 30 minutes later, the military left, and the looters returned. "I asked them to bring their tank inside the museum grounds," he said, "But they refused and left."

On April 15, Donny George, the Director of Antiquities, was quoted by CNN saying that three days earlier, he had gone with the Chairman of the State Board of Antiquities, to the Marines headquarters at the Palestine Hotel. "We waited there for about four hours until we met a colonel. And that day he promised that he will send armored cars to protect what's left of the museum. That was three days ago. But until now, nobody came." He added that he had just heard Secretary of State Powell announce that the museum would be protected. "I was expecting this morning to come and see some of the armored cars here. But nobody is here."

As if to drive home that this was deliberate negligence, U.S. forces displayed enormous efficiency and speed in securing over 1,000 oilfields in Iraq, and setting up military protection for the Ministry of Oil, not only in Baghdad, but also in Kirkuk. Thirty-five other ministries in Baghdad were looted and then set ablaze.

There is no doubt that the plundering of the National Museum (and other sites) was organized and carried out by highly skilled professionals. Direct television coverage on Arabic networks showed trucks approaching the building, with bands of marauders who entered. Donny George told reporters that glass cutters, not found in Iraq, had been discovered after the rampage. Furthermore, "One of the things that was taken was a bronze bust dating back about 7,000 years. It weighed hundreds of kilograms and was taken off the second floor. The curators say no normal looters did that." Another report cited two men "hauling an ancient portal out of the building."

Not only were the looters well prepared logistically to remove their booty, but they knew exactly what they wanted to steal. As Director George stated, there were a large number of copies of artifacts in the museum, whose originals are in the British Museum, the Louvre, or elsewhere. *None* of the plaster copies were stolen, but only the precious originals. Some reports speak of a catalogue having been completed very recently, by "an art organization in New York."

At an emergency meeting of art experts and cultural historians, convened by UNESCO in Paris on April 17 to assess the damage, the verdict was clear: Although some looters may have been desperate individuals, clearly some were prepared



This is the sound box of an early musical instrument, a lyre from the Kings' Graves from Ur, after 2000 B.C. The sound box is of wood, with inlays of mother-of-pearl, lapis lazuli, and semi-precious stones. The golden Bull's Head is worked metal, consisting of naturalistic elements and ornamental additions, like the fine, chiselled beard.

professionals, who knew what they were after and where to find it. Prof. McGuire Gibson of the University of Chicago, President of the American Association for Research in Baghdad, said, "I have a suspicion it was organized outside the country. In fact, I'm pretty sure it was." UNESCO has called for extraordinary actions to stop the art thieves from marketing their goods. If international cooperation for such a "police" operation is secured, there are hopes that Iraq's national heritage can be saved.

Lobbying the Pentagon

When Secretary of Defense Donald Rumsfeld was asked about the looting at a press conference, he shrugged it off as "just one of those things" that happen when a regime collapses. The *Washington Post* on April 14 reported that Pentagon war planners had anticipated that the fall of Saddam Hussein would bring a period of chaos and lawlessness, but they (i.e., Rumsfeld) chose to send in only a light, mobile invasion force, that could not possibly quell such unrest. Pentagon officials such as Undersecretary of Defense Doug Feith confirmed that that such unrest was anticipated.

The Department of Defense was fully informed, long before the first shot was fired, of the location, nature, and value of Iraq's antiquities. Numerous archaeologists and cultural historians personally intervened at the Pentagon, to plead for protection of Iraq's unique cultural heritage. Prof. McGuire Gibson visited the Pentagon no fewer than three times, with other experts, before the war. He had published an article, "Fate of Iraqi Archaeology," in the March 21, 2003 edition of *Science*, in which he detailed the danger posed by war to Iraq's culture. He reported in that article on the initiative of the Archaeological Institute of America (AIA) and his American Association for Research in Baghdad, which led to gathering information "on the location of archaeological sites and stand-

ing monuments. He also stressed that, since one day's looting would suffice to empty the National Museum in Baghdad, "You must secure the National Museum from looting." As AIA director Waldbaum put it, "Three guards and one tank would have sufficed as protection."

The AIA drafted a "Statement on Cultural Heritage in Iraq," with the message, that all parties must be bound to the 1954 Hague Convention for the Protection of Cultural Property in the Event of Armed Conflict. The statement gathered the signatures of all leading archaeological institutions and leading experts. Professor Gibson said after the conflict had begun, "I thought I was given assurances that sites and museums would be protected. They said they would be very aware and would try to protect the artifacts."

Apparently, the Pentagon was lending its ear to another powerful lobby, representing diametrically opposed interests. While Gibson and others were pleading for protection of art, an organization of "influential collectors" was lobbying for liberalizing the customs regulations of Saddam Hussein's Iraq, regarding artifacts. An article on April 6 in the *Sunday Herald*, entitled, "U.S. accused of plans to loot Iraqi antiquities," exposed the murky plans of the American Council for Cultural Policy (ACCP).

The group met with DOD and State officials prior to the Iraq war, "to offer its assistance in preserving the country's invaluable archaeological collections," author Liam McDougall explained. The ACCP is known for promoting "relaxation of Iraq's tight restrictions on the ownership and export of antiquities," laws which ACCP treasurer William Pearlstein has called "retentionist." He said he would support a post-war government that "would make it easier to have antiquities dispersed to the U.S."

At this news, the professional archaeologists immediately smelled a rat. Prof. Lord Renfrew of Kaimsthorn, a Cambridge archaeologist and director of the McDonald Institute for Archaeological Research (AIA), stated: "Iraqi antiquities legislation protects Iraq. The last thing one needs is a group of dealer-connected Americans interfering. Any change to those laws would be absolutely monstrous." The AIA said any revision of the laws would be "disastrous." Its director, Prof. Jane Waldbaum, pointed out that Iraq's laws were introduced before Saddam Hussein took power, and are good laws. AIA President Patty Gerstenblith said she thought the collectors in the ACCP were trying to get their hands on the treasures of Mesopotamia by legal means, and added that she thought their chances were not bad. She said they're about 50 people, but "their word is heard in Washington."

Friends and Fellow Looters of Mike Steinhardt

Who are these influential people? Art collectors and lawyers, with unsavory connections, and more than one criminal record. The ACCP membership is characterized by the *Sunday Herald* as "collectors and lawyers with chequered histories in collecting valuable artifacts, including alleged exhibi-



This bronze figure comes from Nippur, and is dated about 2110-2094 B.C. It represents Urnammu from Nippur, carrying a basket with construction material. Such consecrated figures were buried in the corners of buildings and under thresholds, in order to make the gods merciful.

tions of Nazi loot." One case in point is Frederick Schulz, a well-known New York antique dealer, who was sentenced to almost three years in prison for having sold an Egyptian pharaoh head for \$1.2 million, which, years earlier, had been smuggled out of the country as a cheap tourist souvenir. As the *Boston Globe* reported on Feb. 13, 1998, ACCP leader and co-founder Ashton Hawkins pulled together a meeting with Schultz (since imprisoned) and others for the purpose of backing speculator and Democratic Leadership Council sponsor Michael Steinhardt's battle with the law. Steinhardt had illegally acquired an ancient artifact that had been smuggled out of Italy, and his dealer had falsified customs documents to cover up the export of the item from Italy, contrary to Italian law. Hawkins arranged for the Association of Art Museum Directors, for which Hawkins was the attorney, to file a court brief on Steinhardt's behalf. Steinhardt has donated large amounts to the Metropolitan Museum of Art, where Hawkins had been legal counsel.

The feverish activities of the ACCP, to "liberalize" Iraq's post-war government laws, to allow wholesale robbery of its cultural treasures, are, in light of the recent, professionally organized looting, highly suspect. The question to be raised, most appropriately in a press briefing of Secretary Rumsfeld, is: What precisely was discussed at the Pentagon, back in January, and since, with Hawkins and his ACCP? Is it possible, that a multi-level operation came into being, aimed at facilitating the looting, smuggling, export, and sale of Iraq's national treasures—eliminating the identity of a thousands-year-old nation and people, to help subject them again to colonial rule?

Brits, Neo-Cons Launch New Imperial Offensive

by Mark Burdman

Now that the American and British governments have declared “victory” in the war against Iraq, the publishing empires of Lord Conrad Black and Rupert Murdoch, the two leading promoters of fascistoid neo-conservative causes around the world, have gone into overdrive to herald the coming-into-being of a new, aggressive, and supposedly matchless “Pax Americana.”

Typical of this propaganda, was an April 13 article in Murdoch’s *Sunday Times* of London, by Niall Ferguson, formerly of Oxford University, now Professor of Financial History at the Stern School of Business at New York University. Ferguson is an expert on the Rothschild banking family, and the Saxe-Coburg-Gotha royal house which, among other things, spawned the British royal family. He has recently gained international notoriety for a book, *Empire: How Britain Made the Modern World*, claiming that the brutal British Empire was a boon to mankind. It was the basis for a British television series, that Ferguson narrated.

In his *Sunday Times* piece, Ferguson exulted that “a major shift has . . . occurred since 9/11” in the United States. “In the most recent edition of *The National Interest*, widely regarded as the Pentagon hawks’ house journal, there are four articles with Empire or Imperial in their titles. The best, by Harvard’s Stephen Rosen, concludes that ‘the notion of American empire . . . might comport nicely with . . . the 21st Century.’ ”

The National Interest was founded, in 1985, by Irving Kristol, founder-guru of the American neo-conservative movement. He and his son William are among the most prominent of the philosophical followers of the late fascist philosopher Leo Strauss, whose pernicious influence has been exposed in the new, mass-distribution pamphlet, *Children of Satan*, issued by Lyndon LaRouche’s Presidential campaign (see last week’s cover story “The ‘Ignoble Liars’ Behind Bush’s ‘No Exit’ War”). A couple of years back, *The National Interest* was bought up by Lord Conrad Black, whose Toronto-based Hollinger Corp. is the foremost international dispenser of neo-conservative, neo-imperial filth.

As per Ferguson’s remarks, the Spring 2003 issue of *The National Interest* has highlighted, as its cover story title, “Empire?” The same issue features Stephen Peter Rosen’s “An Empire, If You Can Keep It”; as well as “Migration and the Dynamics of Empire”; “Imperial Temptations”; and “Imperialism, the Highest Stage of American Capitalism?”

Obstacle: The Strategic Triangle

In his article, albeit in post-modernistic academic jargon, Rosen gets right to the point about who and what the neo-con imperialists see as their real “enemy image” at this present historical conjuncture. Rosen writes: “The central—one may say the necessary but not sufficient—imperial task is the creation and management of a hierarchical interstate order. From that key task of regulating the external behavior of other states, proceeds the imperial problems of maintaining a monopoly on the use of organized military power, and of using its monopolistic but still finite military power efficiently.”

Soon thereafter, Rosen writes: “Today, the picture for the United States is mixed. It exercises effective, if less than formal, hierarchical authority in the Western Hemisphere, in the Asian rimland, on the Arab side of the Persian Gulf and in the NATO area. At the start of 2003, it was trying to extend its hierarchical interstate order to the Balkans and Afghanistan, and was preparing to intervene in the internal affairs of Iraq. China, Russia and India cooperate opportunistically with the United States, but have been willing to challenge American dominance when possible. They certainly reject the right of the United States to intervene in their internal affairs, and thus remain the major countries outside the U.S. hierarchical order.”

Translated into English, Rosen’s message is crystal clear, and will undoubtedly be understood by neo-con fanatics around the Beltway: The impediment to their “Pax Americana” is the Russia-China-India “Strategic Triangle.” This is the grouping that Lyndon LaRouche has identified as the core of the vitally needed Eurasian Land-Bridge economic recovery program. This triangle was also promoted, by then-Russian Prime Minister Yevgeni Primakov, already back in 1998, as providing the most effective counter to plans to establish a new Anglo-American empire, modelled on ancient Rome.

Rosen is a singular figure in the American neo-imperial, utopian nexus, involved in some of the most sensitive “empire-building” operations. In 1989, Harvard Prof. Samuel P. (“Clash of Civilizations”) Huntington was the founding director of Harvard’s Olin Institute for Strategic Studies. This was funded by the Olin Foundation and other neo-con moneybags. Rosen became the Institute’s associate director. Then in January 2000, when Huntington stepped down as director, Rosen took over. During those years in between, the infamous Clash of Civilizations strategy was launched, out of the Olin Institute base.

Indicative of his influence and policy role, Rosen chaired an extremely important conference, at the Harvard Faculty Club, from Nov. 20-22, 2002, at a time when the preparations for the Iraq war were going into high gear. The event was entitled “Conference on the Study of Religion and Terrorism.” The first panel featured Huntington and Prof. Bernard Lewis, the British Arab Bureau insider who actually invented the term “Clash of Civilizations”; and who is, for all intents and purposes, the architect of the present offensive in the Gulf-Middle East region.

Another panel featured Eliot A. Cohen and Francis Fukuyama, both at the Paul H. Nitze School of Advanced International Studies in Washington. Cohen recently authored *Supreme Command: Soldiers, Statesmen, and Leadership in Wartime*, the only book that President George W. Bush read last Summer, supposedly in order to stiffen himself for a war on Iraq. Cohen is the author of the phrase “World War IV,” to describe the “post-Sept. 11, 2001 reality.” Fukuyama, former State Department Deputy Director of Policy Planning, is the leading proponent in the U.S. policy structure today, of the ideas of Leo Strauss. Fukuyama’s infamous “End of History” utopian thesis was first published, before its book-length release, by Irving Kristol, in *The National Interest*. The Nov. 20-22 Harvard conference was keynoted by Reza Pahlavi, the son of the late Shah of Iran. Based in the United States, Reza Pahlavi is being promoted by key figures in the neo-con crowd, to be the leader of Iran, following a so-called “democratic revolution” there. Most recently, that was floated by neo-con fanatic Michael Ledeen in the April 12 issue of the British *Spectator* magazine, owned by Lord Conrad Black.

Imperial Dreams and Imperial Cautions

Ferguson advised that the Americans had better be prepared to stay in Iraq for at least 10 years, and to learn from the fact that imperial Britain occupied Iraq for 40 years. He fretted that the Americans are in “downright denial” about what it means to actually manage an empire, and do not understand, but rather resist, the idea that keeping an empire means

fighting the average of one war a year, as the British Empire did in its Victorian heyday. Ferguson also worried that the Americans are now a giant importer of capital, while, by contrast, “the British imperial power relied on the massive export of capital and people.”

These cautions had been preceded, in Murdoch’s London *Times* on April 12, by Andrew Roberts, biographer of Winston Churchill and other leaders of the British Empire. Under the headline “Americans on the March,” Roberts exulted: “The sense of vigor and confidence that the American political leadership has shown since last November is reminiscent of nothing so much as those mid-Victorians who convinced themselves that the British Empire was the foremost force for good in an otherwise debased world.” That “last November” reference conforms to the Stephen Peter Rosen-chaired conference at Harvard.

Roberts then hyperventilated: “If you need a 19th-Century counterpart for the neo-conservative movement led by Donald Rumsfeld, Dick Cheney, Paul Wolfowitz, Richard Perle, and Condoleezza Rice, look at the idealistic imperialists produced by Balliol and other Oxford colleges from the 1850s.” According to Roberts, the United States “will not—it almost cannot—stop at Baghdad. An internal dynamic begins to take over.” But, Roberts cautioned, “that is precisely the moment when hubris and nemesis have struck earlier empires.” He, like Ferguson, concluded, that the American imperial expansion might end up crashing, and might fail to fulfill his most cherished dreams.

The Black Lord of The American Empire

The U.S. Constitution forbids the United States from granting any “Title of Nobility,” and bans the acceptance of any “Title, of any kind whatever from any King, Prince, or foreign State” by any person who holds any “Office of Profit or Trust.”

Lord Black of Crossharbour doesn’t hold elected office, but he exerts more control over U.S. policy than most elected officials. On Oct. 31, 2001, Conrad Moffat Black, Canadian multimillionaire, entered the British House of Lords, “in his robes, introduced between the Baroness Thatcher and the Lord Carrington” and became “Baron Black of Crossharbour.” Wisely, the Parliament of Canada had kicked him out of his seat, for intending to become a British Lord. But Black is not even loyal to Britain; his “vision” is a new Anglo-American Empire.

Black owns a big piece of the Bush Administration—the neo-conservatives who rammed through the Iraq war. Most of them come from outfits that Black funds and/or

owns: *The National Interest*, the Hudson Institute, the *Jerusalem Post*, the London *Daily Telegraph* newspapers, the American Enterprise Institute, the *New York Sun*.

In a Feb. 14 speech to the London Centre for Policy Studies, Black described his “Empire” vision: The United States and Britain must eliminate Saddam Hussein to “avoid a clash of civilizations” and “demonstrate that Saddam’s form of barbarism is a political model it is dangerous to emulate.” Black derided UN arms inspections as “that current farce,” and opponents of the war as “Lilliputians.”

Lord Black called the Treaty of Westphalia of 1648 outdated; and said that after Sept. 11, 2001, the right “of pre-emptive protection against terrorism” must be recognized—but only for the United States. Britain’s role is “being the junior, but influential partner of the United States in modernizing world institutions, alleviating the conditions that breed political extremism . . . [and being] America’s chief associate in crushing terrorists.”

Noting that after World War II, Dean Acheson said, “Britain has lost an empire but not found a role,” Black says Britain’s ties to the United States constitute that role. Together they will redraw the world map, and devise a “trusteeship for failed states.”—*Michele Steinberg*

Six Powers, or Five? Russia Offers Guarantee to North Korea

by Kathy Wolfe

Russian Defense Minister Sergei Ivanov proposed on April 10 that Russia, China, South Korea, the United States, and Japan sign a multilateral non-aggression pact with North Korea, a “Six-Power” guarantee to end the Korean crisis. “Russia is willing to take part in a ‘cross guarantee’ of the North Korean regime between the United States, China, Russia,” and the other parties, Ivanov told South Korean Defense Minister Cho Young-kil in Seoul. “North Korea will resist U.S. efforts to resolve the nuclear crisis at the United Nations,” Ivanov said, “since the UN’s authority has been seriously undermined by the war in Iraq.” An alternate multilateral forum must be found.

South Korean Foreign Minister Yoon Young-kwan proposed the Six-Power format to Secretary of State Colin Powell in Washington March 28. Washington rejected it, instead demanding a UN Security Council meeting on April 9 to condemn North Korea. China and Russia then vetoed the UNSC action. Meanwhile, Seoul National Security chief Ra Jong-yil took the Six-Power plan to Moscow and Beijing in the first week in April. The result was Moscow’s offer, the first such by any great power.

China and North Korea accepted the multilateral idea after Yoon traveled to Beijing April 10-12, and met Chinese Premier Wen Jiabao, President Hu Jintao, and other officials. Previously, China had backed North Korea’s insistence upon purely bilateral talks with Washington, a demand that the United States recognize Pyongyang’s national sovereignty. But as Yoon noted, semantics about “bilateral” vs. “multilateral” could lead to war.

This was the context for the announcement on April 12 by North Korea that it can now accept a multilateral format. “If the United States is ready to make a bold switch-over in its Korea policy for a settlement of the nuclear issue, the D.P.R.K. will not stick to any particular dialogue format,” a Foreign Ministry spokesman said. Pyongyang is willing to be flexible, to learn “whether the United States has a political willingness to drop its hostile policy or not,” he said. “It is possible to solve the issue if the United States sincerely approaches the dialogue.”

South Korean President Roh Moo-hyun officially adopted the “Six-Power” framework April 13, and announced a global

diplomatic drive to sell it to President Bush—before Roh’s visit to Washington May 11-17.

Development: The Only Guarantee

South Korean Foreign Minister Yoon announced April 16 that initial talks will take place April 23, in Beijing, between China, the United States, and North Korea, to get the process rolling by meeting Pyongyang’s demand for as “close to” bilateral talks with the United States as possible. Yoon indicated that South Korea, Russia, and Japan are expected to join in the near term.

The best minds involved, however, know that only the concerted *economic development* of Eurasia, especially of the entire Korean Peninsula and Russia’s Siberian Far East, can create a fundamental peace in the region. They don’t want to repeat the experience of Israel, Palestine, Jordan, and Egypt, of attempting political peace settlements while the economic development required by those agreements was blocked, leaving the Mideast population in poverty, almost assuring perpetual war there.

Minister Ivanov pointed out in Seoul on April 10 that South Korea and Russia will soon convene a working-level meeting on railway cooperation to extend the Trans-Siberian Railway to South Korea. This implies stepped up Russian efforts to help rebuild the North’s rail grid, and renewed efforts to connect the Trans-Korean Railway between North and South Korea, stalled since March. Seoul, Tokyo, Moscow, and Beijing are also engaged in energetic discussions to open a pair of 2,500-mile oil and gas pipelines from Irkutsk at Russia’s Lake Baikal in Siberia, through China and North Korea, into South Korea and undersea to Japan. This \$20 billion project would provide cash to Moscow, stabilization of the splintering Russian Far East, free energy to North Korea, and a break in the stranglehold of Mideast energy supplies on Japan, China, and South Korea.

EIR Contributing Editor Lyndon LaRouche said on April 14 that if “Six-Power” talks get off the ground, then Russia’s involvement implies a link, as well, to new potential arrangements for the economic development of the entire Eurasian Land-Bridge/New Silk Road region, “from Tokyo to Pusan to Paris.” The Russian offer to guarantee peace in Korea, he

said, implies a link with the St. Petersburg Summit held April 6 by the heads of state of Russia, Germany, and France, focused on economic development. LaRouche hailed the prospect for cooperation among Russia-France-Germany, on the one hand, and Russia-China-India on the other hand. This opens a potential for new treaty agreements across Eurasia, LaRouche said, for trade, investment, and productive job creation. Eurasian cooperation in technology-sharing and long-term capital improvement projects means a solution for the economic crisis in Asia, Europe, and Russia.

Cooler American Heads

In fact, due to efforts by some cool-headed senior American players, LaRouche added, the “Six-Power” arrangement could even shift the entire global strategic situation—which is now racing toward disaster, given the wholesale destruction of Iraq and threats to spread the war far and wide. Utopian extremists such as Vice President Richard Cheney, Defense Secretary Donald Rumsfeld, and their crowd, threatened in mid-April that North Korea, Iran, Syria, and others should “take a lesson” from Iraq.

Yet, advisors to the President’s father, former President George H.W. Bush, have begun speaking loudly against any wider war—especially in Korea. These circles control the Carlisle Group investment bank, with its enormous investments in South Korea, Japan, and China, which they do not wish to turn radioactive. They also have an honest horror of the realities of nuclear war so close to Seoul’s 13 million people and Tokyo’s 23 million.

“The big question would be, how would President Bush respond?” LaRouche said. The answer, he noted, is not academic. It depends on what sane people everywhere do, to break the President away from the extremists.

Under the headline “Senior Bush Says US Doesn’t Want War With NK,” the *Korea Times* reports that the elder George Bush himself first held a round of White House meetings, and then flew to Seoul on April 15 to dine with South Korean President Roh Moo-hyun, where they agreed on the need to prevent any chance of war. “This meeting sends out a positive message to the people of South Korea and the United States” about the need to build peace, said Roh. “Should a war break out, its disastrous consequences would not be confined to the Korean peninsula.”

From Washington, President “W” Bush telephoned Japanese Prime Minister Junichiro Koizumi on April 16, *Kyodo News* reports, to say that Japan and South Korea will be invited to a new round of talks with Pyongyang soon. Roh and Koizumi have both announced urgent trips to Washington for early May.

Donald Gregg, Bush Senior’s former Ambassador to Korea (1989-93), has meanwhile grown quite vocal in warning of the danger of a Korean conflict. In an April 10 PBS-TV “Frontline” documentary on North Korea, Gregg made a surprise attack on the President’s worst utopian advisors by

name, for “demonizing” North Korean Chairman Kim Jong-il. They do so, he said, not because they understand reality, but because “it validates a great many of the Manichean theories that people like Richard Perle and [Paul] Wolfowitz, and [William] Kristol and [Lewis] Libby had been laying out: that this is an evil world, that we are under threat.”

Only Two Options

These people, Gregg said, “never had a policy” toward North Korea, “just an attitude: hostility. . . . We have two options. We can give North Korea a security guarantee in a non-aggression treaty, or in six months, they will become a nuclear power.”

Gregg praised the recent proposal by James Laney, Bill Clinton’s Ambassador to Korea, for the Six-Power guarantee of North Korea’s security by China, Russia, Japan, the United States, and South Korea. Gregg also called for a “senior special Presidential envoy” to be sent to Pyongyang immediately from Washington, as Jimmy Carter went in 1994—reminding some people of Lyndon LaRouche’s offer to travel to Pyongyang, issued on March 13.

Gregg criticized the 1998 “Rumsfeld Commission” report on missile defense, a tome by an “experts” group chaired by the man who is now Defense Secretary, and its conclusion that the United States is under threat of a strategic nuclear missile attack by North Korea. Due to this and more bad advice, Gregg said, the current President “came into office saying ‘I don’t trust Kim Jong-il.’ ”

“There is a group in North Korea that hopes North Korea can do better by establishing better relations with their neighbors, by building export goods, instead of nuclear weapons,” Gregg told “Frontline.” “I think that plan ought to be encouraged—but by threatening them, by calling them a terrorist state, by calling them the other things—the axis of evil, pygmy, etc.—we make it much harder for them to change the allocation of resources.”

In fact, however, the only two options the world has in Korea, are a Six-Power-type program, or nuclear war.

In case the utopians prevail and President Bush decides not to cooperate with the Six-Power guarantee, Asian experts are already talking about a “back-up” plan to create a “Five-Power” framework—without the United States. As a last resort to stop a war, “Seoul, Beijing, Moscow, and Tokyo could take their fate in their own hands,” as one official put it, go to Pyongyang, and sign a peace treaty to end the 1950-53 Korean War, including a non-aggression pact. To this day, there is only a cease-fire.

It may even be possible to take this “Five-Power plan” to be sanctioned by the UN, because the existing 1953 Korean cease-fire is, technically, signed by the UN and the D.P.R.K. Experts say even a Five-Power pact makes a U.S. unilateral strike against the D.P.R.K. difficult, if not impossible. Thus, many are hoping that if the other five show a firm resolve, Washington will go along.

Bush Must Now Push For Middle East Peace

by Dean Andromidas

President Bush's only exit strategy from the current quagmire of spreading war and chaos, is for him to move immediately and aggressively to implement—without compromise—the Israel/Palestine two-state solution, with the needed economic investment to assure that it works, said Democratic Presidential pre-candidate Lyndon LaRouche on April 12. Such a move, taken in conjunction with genuine international cooperation to rebuild Iraq, will provoke total hysteria among the neo-conservatives, and the Sharonists in Israel. The President would then have the opportunity to get rid of the filthy neo-conservative apparatus in his Administration.

The situation in Israel and the Palestinian National Authority is primed for such an intervention, as everyone awaits the Administration's release of the "Mideast Peace Road Map" to begin the process that is expected to lead to Bush's vision of a Palestinian state living side by side in peace with Israel. Although its text has not been officially released, it is said to include a demand that Israel freeze settlement activity unconditionally and simultaneously with Palestinian peace moves. Moreover, the road map has the support of the "Quartet"—the European Union, Russia, and the United Nations, along with the United States—each of whose members has delegated a representative who has been in constant discussion with both Israel and the Palestinian National Authority.

Nonetheless, the road map is no more than a work plan that will get the two sides to the negotiating table; it does not deal with substantive issues. It pales in comparison to LaRouche's "vision," which is premised on the Treaty of Westphalia, which ended the Thirty Years' War religious conflict that ravaged Germany in the 17th Century, and in which the warring parties seek peace through a commitment to ensuring each other's national, political, and economic aspirations. This is embodied in LaRouche's famous Oasis Plan for anchoring a Middle East political settlement in a regional economic plan aimed at developing new water resources through nuclear desalination, and the development of a regional infrastructure which will turn the Middle East into the land-bridge linking Eurasia with Africa.

Sharon and Neo-Cons Must Go

The major obstacle to this road map—a greater problem than Bush's "good friend," Israeli Prime Minister Ariel Sharon—is the gaggle of chicken-hawks in Washington who entertain even more extreme views than Sharon.

Fearing that the Bush Administration would release the road map after the Iraq war, Sharon dispatched his cabinet secretary and top henchman, Dov Weisglass, to Washington on April 11, where he presented Sharon's 100 reservations to the road map, divided into 15 groups. Weisglass, who is also Sharon's personal lawyer and co-suspect in more than one criminal investigation, met with Secretary of State Colin Powell and National Security Advisor Condoleezza Rice. Although neither Powell nor Rice endorsed any of the Israeli changes prior to the road map's release, two other Administration officials were present at the meeting: NSC director for the Middle East, Elliott Abrams; and Douglas Feith, Undersecretary of Defense for Policy—two of its top chicken-hawks and Likudnik moles.

At the same time, Sharon gave interviews to Israel's two leading dailies, claiming that he is prepared to make "painful concessions" in order to arrive at a "peace for generations." Both were filled with his "yes, but" approach: Yes, he agrees with the road map, "but" he has some reservations.

Nahum Barnea, who interviewed Sharon for the *Yediot Ahronot* on April 16, wrote, "With Sharon, you always have to read the small print." For Sharon, the Palestinians will have to make all their "painful concessions" first, before Sharon is prepared to consider his own "painful concessions." Thus the Palestinians would, as a precondition, have to give up their right of return to their former homes in Israel proper and stop all terrorism, whether the Palestinian Authority is responsible or Hamas. Barnea writes, "The rhetoric may be dovish but the substance is not."

Many have doubts that President Bush will be able, with his current Administration, to make his "good friend" in Tel Aviv follow any road map. Henry Siegman, former president of the American Jewish Congress and senior fellow at the Council on Foreign Relations, penned a commentary appearing in the *International Herald Tribune* on April 15, bluntly declaring, "The much-touted road map for an Israeli-Palestinian peace is a sham." Siegman, who is a strong critic of Sharon, wrote that President Bush, in his Rose Garden speech of March 24—despite his promises of being "personally committed" to support the road map, made it a "sham" when he said that Israel will not be required to stop settlement activity, or change any of the draconian measures it is now implementing, until "the terror threat is removed and security improves," and "progress is made towards peace." These clauses, Siegman charged, negated the most important part of the road map, which stated that there had to be a settlement freeze and negotiations immediately and without preconditions. Thus, Siegman wrote, Bush has "compromised" the process "even before the road map has been formally released" because he has introduced the same formulations used by Sharon to sabotage the previous Mitchell Plan and Tenet proposals, by demanding "seven days of quiet" before he would implement them.

Siegman noted that three years ago, no one would have

characterized a demand for a settlement freeze as being “anti-Israel”; but now it is so labelled, thanks not only to Sharon, but most particularly, to the lobbying of “the Christian fundamentalists, and of an official American Jewish establishment that has embraced a hard-line rightist extremism. It is an extremism that until recently, most of these same Jewish organizations denounced in the strongest terms. It is frightening to realize that Sharon’s policies, which these Jewish organizations now embrace, are far closer to the views of his coalition partners—who advocate ethnic cleansing—than to the views of all of Israel’s previous leaders.”

Yediot Ahoranot’s Nahum Barnea made the same point, when he concluded his interview with Sharon by commenting that the success of the plan lies in Bush’s hands. Although many in Israel believe that Bush will not press Sharon because he fears losing Jewish votes in the 2004 election, Barnea writes that the real reason is the control over Bush by what he calls the “iron triangle” within the Republican Party. This consists of Jewish donors, ideological neo-cons, and the Christian right. This group, stated Barnea, stands to the right of the American Jewish community.

Veteran Israel peace activist Uri Avnery went even further in his article exposing the danger of the neo-conservatives, writing, “After the end of hostilities in Iraq, the world will be faced with two decisive facts: First, the immense superiority of American arms. . . . Second, the small group that initiated this war, an alliance of Christian fundamentalists and Jewish neo-conservatives, has won big, and from now on, will control Washington almost without limits. The combination of these two facts constitutes a danger to the world, and especially to the Middle East, the Arab peoples, and the future of Israel. Because this alliance is the enemy of peaceful solutions, the enemy of the Arab governments, the enemy of the Palestinian people, and especially, the enemy of the Israeli peace camp.

“It does not dream only about an American empire, in the style of the Roman one, but also an Israeli mini-empire, under the control of the extreme right and the settlers. It wants to change the regimes of all Arab countries. It will cause permanent chaos in the region, the consequences of which it is impossible to foresee.”

Sharon Can Be Dumped

At this moment there is a unique opportunity in Israel to dump Sharon, and a move from Washington could go a very long way. Sharon’s weakest flank is the brutal economic program he and Finance Minister Benjamin Netanyahu are desperately trying to implement. According to *Ha’aretz* on April 11, his confidants report that Sharon fears the economic crisis will become the “mass grave” of his government. Sharon’s fears are justified. There is now an open revolt throughout the country, because the program will deconstruct Israel’s welfare state and drastically reduce living standards.

Today, the most popular man in Israel is not Sharon or Netanyahu, but Amir Peretz, the chairman of the Histadrut

labor federation, which has been spearheading the opposition to the economic plan. Peretz, who is also a member of the Knesset for the small One Nation party, has formed an alliance with social organizations, pensioners, and others, who are now holding protest actions throughout the country. Netanyahu finds himself relentlessly pursued by flying squads of the Histadrut’s youth movement who appear at all his public appearances. Demonstrations have been held daily, with slogans like, “Moses led us into freedom and Netanyahu is leading us back into slavery.”

Joining these protests are all the Knesset opposition parties, led by the Labor Party and Meretz, who are saying loud and clear that the occupation and failure to hold peace talks with the Palestinians are among the principal reasons for the economic crisis. Even among Likud voters, over 50% oppose the economic program.

The entire social movement could come to a head right after the Passover holidays, when talks between the Histadrut and the finance ministry over the economic program are expected to collapse. This could lead to a general strike of 500,000 workers, which would be supported by social organizations, pensioners, and others. Such an upheaval could cause a government crisis that could bring down Sharon. Although not yet seen as likely, in the event of a collapse of Sharon’s government, the Israeli President could ask the head of the opposition, Amram Mitzna—chairman of the Labor Party and main advocate for peace negotiations—to form a government.

Pointing once again to the role of Bush, Gideon Samet, commentator for *Ha’aretz*, warned that the only way the “Bush Road Map” will be successful is if Bush makes it successful, by not letting Sharon sabotage it. If it fails, Samet wrote, “The clear culprit will be the person for whom the vision of regional peace is named.”

Samet goes on, “Bush does not need to make any commitment to the Israeli prime minister. The only commitment he should make is for the welfare of the Israelis. And on that score, they have been expressing their opinion for many years . . . in consistent polls. In them there is clear support for deep withdrawals, settlement removal, and any compromise that would bring a gradual end to the conflict. If the American President is not totally decisive about this mission, he will betray the Israeli interest. And if Bush does so because of his personal interests—to enhance his re-election with the help of Jewish votes behind a mask of a flowery vision of peace—he will not find any atonement.”

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Afghan Crisis Coming: What Will U.S. Do?

by Ramtanu Maitra

Notwithstanding repeated Pentagon assertions, U.S. troops and the International Security Assistance Forces (ISAF) are all at sea in Afghanistan. If late reports are to be believed, Washington, facing a Taliban takeover in the South, is trying to turn the tide by concentrating on what it describes as “reconstruction of Afghanistan.” But as usual, stated American intent and actual actions differ,

Last year, the United States had spent most of its aid to Afghanistan in meeting the humanitarian needs in the country. This year, however, Washington has made it clear that it will spend most of its aid on building up the Afghan army. The Afghans are getting increasingly cynical, and point harshly to the many luxury cars in Kabul that ferry United Nations and aid officials to meetings, while East Kabul remains bombed out, exactly the way it was when the Americans and ISAF moved into Kabul in the Winter of 2001.

In the coming days, most things remain uncertain, but two things definitely will occur. First, is a massive opium harvest, which may be as high as 4,000 tons. The other is the Spring offensive by the Taliban and other Afghan forces who oppose the U.S.-imposed government in Kabul. The Spring offensive has already begun and regular coverage of the mainstream American media suggests that anxiety is rising in Washington.

In Kabul, interim President Hamid Karzai, surrounded by the U.S. State Department-lent bodyguards, is trying to juggle things as best he can. Since being named in June 2002 following a sham *loya jirga* (council of elders), President Karzai and his administration have been trying to extend his writ beyond Kabul. In many key provinces—such as Herat, in western Afghanistan, and Balkh in the north—the government’s power is eclipsed by the local militia leaders. In the south, where Pushtuns live, the Taliban are gaining in strength. Even those whom President Karzai had appointed as governors are now more eager to fight the Taliban alongside the Americans than to serve Karzai’s requirements.

President Karzai’s effort to frame a new Constitution is in progress and it remains a secret. The Constitution was scheduled to be made public in March, but the commission has not presented its version yet. Under the Bonn agreement of January 2002, the Constitution is to provide the framework

for new elections, currently scheduled for June 2004. The vote is designed to mark yet another watershed—the completion of Afghanistan’s political transition period.

Some point out rightly that the unveiling of a constitution at this juncture has no meaning at all. The country remains too divided; the elites, thrown out of the country over a 30-year-long civil war and foreign invasions, remain abroad, and remain virtual non-participants to any discussion on the Constitution; and the regional commanders who run their provinces have no intention to abide by it or President Karzai. As an American academic pointed out recently at a forum held at the Open Society Institute in New York, “Given that they [regional commanders] control courts and administration in the areas they command, they can intimidate people.”

Myth of Military Victory

The constitutional discussion is similar to the other two myths that the United States, with the help of the Kabul government, wants to perpetuate. The first is the myth of building an Afghan national army. Karzai, driven by his desire to shed his image as a foreign stooge, is trying desperately to put together a 70,000-strong Afghan army. Short of money, he has succeeded in recruiting and training about 2,000 so far. The warlords, whom President Karzai threatens to eliminate from time to time, have more than 700,000 militias with them. The other irony is that neither the Americans nor the ISAF trust the Afghans; they would like to expand the foreign troops’ presence.

The other myth is the military victory achieved by the United States. Following the American troops’ success in November 2001, when the Taliban-controlled regime in Kabul collapsed like the proverbial house of cards, Gen. Paul Mikolashek, commander of the U.S. ground forces in Afghanistan, described the offensive as a “textbook” operation. Gen. Tommy Franks, commander of the U.S. Central Command, who is now confronted with the Jacobin chaos in Iraq, claimed the Afghan military operation as an “unqualified success,” adding in the Spring of 2002 that the security situation in the country was under control. Another claimant of unmitigated success was Gen. Frank “Buster” Hagenbeck, the operational commander. “I think we’ve taken out a large chunk of the al-Qaeda-Taliban hard-core, well-trained, experienced veterans. If you want to compare it to a U.S. military unit, I would

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describe it as . . . their majors, lieutenant colonels, and colonels. We've isolated their command and control element, and their logistics structure, and we're going to go after that."

But from the outset, it was evident that the purpose of shouting out loud their limited success was to make people believe in the myth. Even then, it was widely known that a core group of 1-2,000 al-Qaeda fighters were roaming freely among the Pushtun mountain villages straddling the Pakistan-Afghan border, where residents share ethnic ties and sympathy with the Taliban and its Arab allies.

Since the start of 2003, the American press has been rife with news of growing strength of the Taliban in southern Afghanistan. President Karzai's last visit, about nine months ago, to the Taliban bastion Kandahar, ended up in a near-assassination. Today, the situation is even more precarious. Kandahar Gov. Gul Agha Shirzai, an avowed enemy of the Taliban handpicked by President Karzai for the post, is now teetering under the pressure of the Taliban militia in the area. President Karzai has instructed provinces to send their customs revenue to Kabul, but most commanders in southern Afghanistan, like Gul Agha Shirzai, have not sent a single penny to Kabul for months. They claim to be using that money to build up their militia to fight the Taliban.

The crippled Karzai Presidency also faces, every day, the growing power of the warlords. From time to time, from his palace in Kabul, Karzai threatens to curb their growing power. The threat is literally laughed at by Afghans who know the ins and outs. They know too well that the warlords have been supported by the U.S. Army since it landed in October of 2001. These warlords, Washington claims, are important to nurture to fight al-Qaeda and Taliban. Zalmay Khalilzad, the special U.S. envoy (now trying to control the Kurds in northern Iraq), said on April 11 that the U.S. military has had to work with regional warlords "to solve practical problems." Once the central government and its institutions such as the Afghan national army are stronger, there will "be an adjustment to our approach," said Khalilzad.

The fallacy in the statement is not difficult to apprehend. If the warlords, who do not send in customs revenue, get stronger by the day, how ever could the central government control them? Moreover, the lack of customs revenue reduces Kabul's capability to recruit more troops, while the money that never reaches Kabul is used by the warlords to recruit more into their militia.

A New U.S. Tack

As an American strategic failure looms, some in Washington are of the view that it is urgent to emphasize less the military "successes," and instead promote "reconstruction efforts" as the new American initiative to stabilize Afghanistan. Initially opposed to the reconstruction, the Bush administration has found it "key" to Afghanistan's future. But spreading the "words" seems to be more important to Washington than actually to carry out the work that needs to be done. The U.S.

Embassy spokesman in Kabul told reporters "that opposition to nation-building is a figleaf that dropped a while ago. We're up to our ears in nation-building," he boasted.

What exactly is this nation-building effort? The most prominent project is the rebuilding of the Kandahar-Kabul-Herat roadway. So far, \$180 million has been collected to do the job. The United States would donate \$80 million, and Japan and Saudi Arabia \$50 million each. President Bush has announced that the construction would be completed by June 2004 before the national elections are held. However, on the ground, the story is different. The U.S. firm contracted to do the job says that the \$180 million collected so far is enough to build only a part of the roadway from Kabul to Kandahar. Afghans claim that the U.S. company is charging too much money and they themselves would like to do the job.

Afghan Finance Minister Ashraf Ghani Ahmedzai does not believe that the United States is "up to its ears in nation-building." During his presentation of the annual budget in March, he pointed out that despite prompt commitments by the developed nations, Afghanistan received, in per-capita aid, even less than Bosnia, Rwanda, Kosovo and other places that have been through war in recent years. Ghani also warned that if the international community cuts back on its commitments, "Afghanistan will become a narco-terrorist state that will be a constant problem to the world."

COVERUP EXPOSED!

The Israeli Attack On the 'USS Liberty'



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Clinton-Bayh Split Highlights Policy Battle in Both Parties

by Jeffrey Steinberg

The stark contrast between statements delivered during the week of April 14-21, by former President Bill Clinton and Democratic Leadership Council (DLC) chairman Sen. Evan Bayh (D-Ind.), underscores that the Democratic Party is split wide open on the most pressing issues of the day: the issues of war and peace; and whether the United States will remain a Constitutional republic or seek to become a sick-joke version of the Roman and Napoleonic empires.

The Clinton-Bayh conflict surfaced at the very moment that Democratic Presidential candidate Lyndon LaRouche issued a call for a political “counter-coup” against the neo-conservative power-grab in the Bush Administration, which led to the illegal “preventive” war on Iraq, and to an ongoing drive for an extension of that war to Syria, Iran, and even Saudi Arabia.

Because former President Clinton’s remarks were largely blacked out of the corrupt U.S. media, while Bayh’s threats received wide publicity, it is critical that the basic facts be presented through the independent press of Lyndon LaRouche, so that leading political circles around the globe have an accurate assessment of the level of political warfare occurring in the United States, as the result of the disastrous policy course adopted by the Bush Administration. A parallel policy battle has erupted inside the Republican Party, involving the circles of former President George H.W. Bush.

‘Go to Hell’

President Clinton’s remarks were delivered at an April 15 New York City policy forum, sponsored by the Conference Board, a prestigious business forum, before an audience of 300 people. The former President sharply criticized the Bush Administration’s “paradigm shift” since the attacks of Sept. 11, 2001, warning that the United States cannot “jail, kill and occupy all your adversaries.” The former President accused the Bush Administration of telling the rest of the world

“to go to Hell.” He said that the Bush Administration was practicing poor decision-making, noting that, “when people are under stress, they hate to think . . . when they most need to think.” Clinton said that chief UN weapons inspector Hans Blix had requested more time to continue the work of his inspectors, and that in time, Clinton believed, Iraq would have been fully disarmed—without the use of military force. The Bush Administration would not bend, and instead, decided, “We are going to do it now, and if you don’t like it, we’ll get even with you when it’s over”—as Clinton characterized their policy.

The next day, the *New York Times*, while not mentioning a word about former President Clinton’s speech, published interviews with several Democratic Party candidates and elected officials, commenting on the Iraq war. Sen. Evan Bayh delivered a blunt warning to fellow Democrats that there would be no toleration for any attacks on President Bush over his Iraq war. “There is no question that the President has been strengthened at least in the short run,” Bayh told the *Times*. “If people can’t envision a candidate as their commander in chief in a dangerous world, they’re not going to listen to you. The threshold has now been raised, and we need to nominate someone on those grounds. . . . Equivocating about whether Saddam’s departure is a good thing or not,” he added, “doesn’t help the Democratic Party.” Bayh speaks for the organized crime-contaminated DLC, of Sen. Joseph Lieberman (D-Conn.), which supported and even pushed the Bush Administration’s war of aggression against Iraq.

In a further indication of the deep rift in the Democratic Party over the Bush doctrine of imperial preventive war, the *Times* quoted an unnamed senior Democratic Senator, who clearly shared former President Clinton’s concerns: “The big difference is that the first gulf war ended. This Administration will never end the war. And because they never end the war, they will have an ongoing advantage. An open-ended war on

terrorism that will never end and that keeps people constantly on edge. A never-ending military commitment in Iraq that might lead to other commitments beyond Iraq also keeps people focused on national security.”

Specter of Impeachment Raised

Leading Republicans, closely allied with former President Bush, have recently surfaced with powerful objections to the policies of the current “chicken-hawk”-dominated Bush Administration, which threaten World War III. On April 13, former Secretary of State Lawrence Eagleburger gave an interview to BBC. The Bush “41” Administration official was asked about the argument, coming out of Washington, from circles close to the President, that the overthrow of Saddam Hussein justifies regime-change elsewhere in the region, “even if that includes extending military action to Syria, Iran—I’ve even heard Saudi Arabia mentioned.” Eagleburger replied, “I just don’t think anybody who says that truly understands the American people. You saw the furor that went on in this country before the President got sufficient support to do this [attack on Iraq]. We’re just not built like that. This is still, whether anybody is prepared to admit it or not, this is still a democracy. And public opinion and the public, still, on these issues, rules.” Eagleburger warned, “And if George Bush decided he was going to turn the troops loose on Syria now, and Iran after that, he would last in office for about 15 minutes! . . . In fact, if George Bush were to try it now, even I would feel that he ought to be impeached. You can’t get away with that sort of thing with this democracy. It’s ridiculous!”

Five days before Eagleburger’s warning of impeachment

if the President follows the agenda of Vice President Cheney, Defense Secretary Rumsfeld, Deputy Defense Secretary Paul Wolfowitz, Richard Perle, et al. and wages war against Damascus, Gen. Brent Scowcroft, the National Security Advisor and one of the closest confidants of President Bush “41,” delivered a speech in Oslo before the Norwegian Nobel Institute. In that April 8 address, as in other recent public appearances, General Scowcroft repeated his opposition to the Iraq war. He had warned strongly, prior to the unprovoked American attack, that a preventive war on Iraq would be a dangerous distraction from the war on terrorism, and would undermine the entire international system. He told the Oslo audience that were the United States and Britain to occupy and control the interim administration in Iraq, this could provoke the “wrath and enmity” of the entire Muslim world. He added, “We’re moving uncertainly down paths nobody has gone down before. The structures we’ve built to handle our security are under significant stress and may not survive to serve us in the future.” Warning about the propagandistic use of the term “democracy” by Bush Administration officials, Gen. Scowcroft asked, “What’s going to happen the first time we hold an election in Iraq and it turns out the radicals win? We’re surely not going to let them take over.”

On April 2, speaking in Toronto at the Empire Club, Bush “41” Secretary of State James Baker III made a strong push for the current Bush Administration to turn from war in Iraq to peace between the Israelis and Palestinians, emphasizing that the “road map” document, prepared by the Quartet (the United States, the European Union, Russia, and the Secretary General of the United Nations), represented a “vehicle . . .

Clinton Breaks With War Policy

Virtually blacked out by the “war media” was former President Bill Clinton’s “Conference Board” interview with Marvin Kalb, April 15, excerpted here.

Kalb: Mr. President . . . I have to conclude that you are *profoundly* in disagreement, with those people in the administration right now, who feel very negatively toward the UN?

President Clinton: Yeah, I am! I’m totally in disagreement! And, I’ll tell you why: Keep in mind, I supported the resolution in the Congress, to give the President the authority to use force if the UN inspection process broke down; and I did it as soon as he said he would go to the UN first.

But, I think, again, we all—Sometimes, when people are under stress, they hate to think. And, it’s the time when they most need to think. If you think about some personal

period in your life—forget about politics: Think about something in your life that happened to you—maybe you were a kid; maybe it happened last week—when you had *great stress* and fear. That’s the time when you most needed to think, but it’s the time when it’s most difficult to think. That’s what we should be doing now.

So, look at the UN. We liked the UN a lot, after Sept. 11! When the whole world said, “We’ll go to Afghanistan, and help you get Osama bin Laden.” There are German and French soldiers in Afghanistan today. Does the President want ’em to come home? Secretary Rumsfeld want ’em to leave? We don’t want ’em to help us find bin Laden any more, since they didn’t agree with our timetable in Iraq? It’s a complicated world out there—they don’t work for us.

You know, Hans Blix was begging for more time, and they said, “We think he ought to have it.” And our United States says, “No, we’re going to liberate Iraq, and we’ve got a resolution which gives us the authority to do it, and so, we’ve determined that we’re going to do it now. And, if you don’t like it, we’ll get even with you, when it’s over.”

that can help move the stalled peace process forward. So, too, will the appointment of the moderate Mahmoud Abbas as Palestinian Prime Minister.” Baker III drew the parallel to the 1991 Persian Gulf War, which led to the Madrid talks, and, soon afterwards, to the groundbreaking Oslo Accords. Baker III bluntly stated that “Land for peace under United Nations Security Council Resolutions 242 and 338 . . . is the only basis upon which the dispute can be settled.” He directly warned Ariel Sharon: “Any decision to reopen the ‘road map’ to substantive amendment . . . is an open invitation to interminable delay. And there should be no conditions whatever to Israel’s obligation to stop all settlement activity. The United States must press Israel—as a friend, but firmly—to negotiate a secure peace based on the principle of trading land for peace. . . . But the bottom line is this: the time for talking about a road map is over. We have one. And, when the war is over, we need to begin using it.”

Focus on Mideast, Korean Peninsula

On April 15, Bush “41’s” Ambassador to the Soviet Union and Russia, former Democratic National Committee Chairman Robert S. Strauss, wrote an oped published in the *Washington Post*, seconding Baker III’s call for aggressive Bush Administration pressure on Israel to accept the road map for Middle East peace. “The time to implement the road map is now,” he wrote. “There is no perfect plan, but there are reliable friends. The United States has repeatedly demonstrated its friendship with Israel. Now comes a win-win opening; a plan from which all parties can benefit that can break the logjam at a critical moment. . . . The United States can no longer afford to sit on the sidelines, nor can Israel or the Palestinians afford the luxury of turning their backs on this potential breakthrough. It’s time for positive thinking and progress, not retrogression.”

In the midst of this surfacing of strong substantive opposition to the Bush Administration war party faction’s agenda, former President Bush, himself, made a trip to Seoul, South Korea, during which he promoted the idea of multilateral talks to resolve the North Korea crisis without war. Donald Gregg, his former Vice Presidential national security aide, and later his Ambassador to South Korea, made similar statements, promoting a peaceful settlement of the conflict.

This chorus of statements from leading associates of former President George H.W. Bush reflects the same intensity of behind-the-scenes policy warfare inside the GOP, where the dominant Cheney-Rumsfeld grouping within the Administration, is committed to a permanent war of destructionism, pointed at the heart of Eurasia. The fact that leading figures in both the Democratic and Republican parties are now publicly revolting against the dominant war party factions, is of great strategic import. It reflects potential for action along the lines of Lyndon LaRouche’s persistent call, in recent weeks, for a “counter-coup” against the neo-conservatives who are driving a pathetically ill-equipped President George W. Bush into the abyss of world war and a new dark age.

Syria War: Neo-Cons’ ‘Clean Break’ Again

by Michele Steinberg

“If George Bush attacks Syria, all Hell will break loose in the Arab world against us,” stated a retired U.S. general, who served under World War II Gen. “Vinegar Joe” Stilwell. He believes the policies of neo-con Deputy Defense Secretary Paul Wolfowitz are insane. On April 14, British press reported that Lawrence Eagleburger, former Secretary of State under President George H.W. Bush, “41,” told BBC that President George W. Bush should and would be impeached if he “turned troops on Syria now and then Iran.”

But criticism from military heroes and veteran diplomats, even paired with the fact that the military is exhausted and weapons depleted after two *unfinished* wars in Iraq and Afghanistan, is not enough to stop the war against Syria. Democratic Presidential pre-candidate Lyndon LaRouche warned, “Don’t make any assumptions that the war is off. The neo-cons are crazy.” Only a counter-coup that ousts them can secure peace.

Like the Iraq war, the attack on Syria has nothing to do with a current threat—it was planned by the neo-conservative chicken-hawks as early as 1996.

On April 10, the *Oakland Tribune* reported that Donald Rumsfeld had commissioned two of the Pentagon’s neo-cons, Douglas Feith and Dr. William Luti, to draw up plans for attacks on Syria. It was a “perfect fit”—Feith had already written the “talking points” for war against Syria in the policy paper prepared for the Israeli right-wing government in 1996, titled “Clean Break: A New Strategy for Security the Realm.” A co-author was scandal-ridden Rumsfeld advisor Richard Perle, who delivered it to Israeli Prime Minister Benjamin Netanyahu. The paper has two pillars of “regime change”: toppling Saddam Hussein in Iraq; and destroying the Ba’ath regime in Syria. It’s a game plan, in its own words, for “re-drawing the map of the Middle East.”

Syria is a “regime murderous of its own people, openly aggressive toward its neighbors . . . and supportive of the most deadly terrorist organizations,” wrote Feith and Perle in 1996. “It is both natural and moral that Israel . . . move to *contain* Syria, drawing attention to its weapons of mass destruction program.”

In May 2000, Feith, Perle, David Wursmer (all “Clean Break” authors) signed onto an updated attack plan against Syria, prepared for the Middle East Forum by Islam-hater Daniel Pipes and Ziad Abdelnour, called “Ending Syria’s Occupation of Lebanon: The U.S. Role.” Something of a follow-up to “Clean Break,” the report demanded that “use of force

needs to be considered” against Syria, utilizing America’s “new era of undisputed military supremacy.” This must be done sooner rather than later, it said, because Syria is developing weapons of mass destruction. Signers also include Elliott Abrams, the Iran-Contra perjurer who now heads the National Security Council’s Middle East desk.

Neo-Con Aim: Greater Israel

But the neo-cons have an Achilles’ heel—the third emphasis of “Clean Break”—which is to prevent a Palestinian state from coming into being. This puts them at odds with Bush’s policy for a Palestinian state—something the President considers *his own policy*, report sources close to the “road map” discussions. So, instead of confronting Bush, the neo-cons and their Israeli counterparts are driving for war on Syria—to keep the region in “permanent war” where talk of a “peace process” is a sick joke. The Israeli newspaper, *Ha’aretz* calls this “oratorical Shock and Awe.”

Rumsfeld began with accusing Syria of hiding people and weapons for Iraq. Then, on April 6, Bush said, “Syria just needs to cooperate . . . not harbor any Ba’athists, any military officials, any people who need to be held to account.” He added, “We believe there are chemical weapons in Syria,” but “I expect they will cooperate.”

Rumsfeld had already ordered the Syria war plans to be drawn up. By April 14, he escalated again: “We have seen the chemical weapons tests in Syria over the past 12, 15 months.” He charged that Syrian terrorists were going into Iraq to kill Americans.

By April 15, Israeli Prime Minister Ariel Sharon’s cabinet started a drumbeat for a U.S. attack on Syria. Foreign Minister Silvan Shalom announced, “Syria is letting terrorist organizations operate in the country.” Cabinet Minister Uzi Landau railed about the Syrian danger, and Defense Minister Shaul Mofaz, in a radio interview, praised the Americans for threatening Syria. Mofaz then told the daily *Ma’ariv* that Israel has “a long list of issues that we are thinking of demanding of the Syrians” and they are going to get the “Americans” to deliver it.

But this time, there is a counter-offensive against the neo-cons’ “permanent war,” in large part triggered by the “LaRouche in 2004” campaign release of 400,000 copies of a pamphlet exposing the war party’s “Children of Satan.” By April 17, with the backing of the Arab Group of 22 countries in the UN, Syria—a member of the Security Council—introduced a resolution for a Middle East “WMD Free Zone,” specifically targetting Israel, the only nuclear-armed country in the region. U.S. Secretary of State Colin Powell announced that he may be visiting Syria in the immediate future to seek a diplomatic solution to the growing tension. The London *Guardian* reported that Bush had “vetoed” the Rumsfeld war plan against Syria, and U.S. syndicated columnist Robert Novak blew the lid off the right-wing Israeli interest in the Syria war, citing Mofaz’s plan to use the United States to “deliver” a message.

Iraq War Fuels Military Transformation Debate

by Carl Osgood

The sudden fall of Baghdad after a messy three-week campaign will, no doubt, add further fuel to the debate that has long been raging in military circles regarding military transformation. Were the transformational concepts, long advocated by Secretary of Defense Donald Rumsfeld, instrumental to the military outcome, or were the troops on the ground forced to resort to much maligned but more traditional “kinetic methods” to defeat Iraqi forces? Rumsfeld has long reflected the utopian notion that, to fight the wars of the 21st Century, the military has to transform itself, placing much greater emphasis on special operations forces, airpower, precision-guided weapons, and information technology. With military operations in Iraq transitioning into an occupation, has the war proved out the theories that Rumsfeld has been promoting?

The drive for military transformation rests on a number of concepts, which have become buzz-phrases at Joint Forces Command and elsewhere. These phrases include “operational net assessment,” “effects-based operations” (EBO), and “rapid decisive operations” (RDO). These concepts have been attacked by Marine Lt. Gen. Paul Van Riper (ret.), who has derided them as little more than “bumper stickers and slogans.” Van Riper is a Vietnam War veteran whose last position before he retired in 1997 was as commander of the Marine Corps Combat Development Command (see *EIR*, Dec. 13, 2002).

One indication of the depth of the pre-war debate on military transformation is a volume published last September by the U.S. Army War College, entitled *Transformation Concepts for National Security in the 21st Century*. The book is a collection of 12 papers written by students of the War College, and the views expressed range from Van Riper’s to the “we’ve already been doing them since time immemorial, but now we have the technology to do things with them that weren’t possible before” view. The most interesting among the papers are those critical of the notions of effects-based operations and rapid decisive operations, because they appear to have the most bearing on events that are now transpiring in Iraq.

Chess Game or a Boxing Match?

In an essay entitled “Effects-Based Operations: The End of Dominant Maneuver?” Col. Gary Cheek identifies Air Force Maj. Gen. David Deptula as one of the key theorists for EBO. Deptula was part of “the black hole,” the planning cell that laid out the air campaign in the 1991 Gulf War, who

bragged, in a 2001 paper, how, in the first 24 hours of the air campaign, more targets were attacked in Iraq than were hit in Germany in all of 1942 and 1943. He described a targetting methodology which was designed to generate effects, rather than merely destroying targets. In other words, if an integrated air defense system could be rendered ineffective by cutting off electrical power to the radars, or by rendering the operations centers for the system unusable, the same effect is accomplished as would be by destroying the individual radars and fire units, only with a lot fewer bombs. This frees up resources for more important targets. Deptula's main point about the Gulf War is that, while EBO were contemplated against Germany in World War II, the mass required to destroy a particular target, such as a ball-bearing factory, for example, was simply too great to be able to launch simultaneous attacks against numerous critical targets. With the Iraq war, it became possible to essentially smother the entire country in what Deptula calls "parallel warfare," rather than ringing up lists of targets in sequential order.

Cheek notes that Deptula's argument goes a step further. Cheek writes, "His notion was that it is the projection of force rather than the presence of force that achieves effects. In some circumstances the projection of force can replace deployed forces and achieve the same effect." Cheek takes this to mean that technology has made ground forces less relevant. For Cheek the issue is, "Can effects-based operations, using stealth, precision, and parallel warfare, 'compel the enemy to do our will?'" In Cheek's estimate, such a notion is highly problematic. The first issue is that of intelligence, which, under the transformation concept, comes out of the operational net assessment. "Accurate intelligence," he writes, "may well be the Achilles' heel of all effects-based operations." He gives examples from past wars to demonstrate the difficulties of making accurate assessments of what is happening to the enemy under the stress of war. An EBO, he says, "is an analytical form of warfare; it anticipates events and enemy reactions, then acts, assesses, and acts again." He calls this analogous to a chess match, but "such a concept becomes increasingly difficult to implement as one transcends the levels of war from the strategic, to the operational, and finally to the tactical level."

Indeed, war at the tactical level resembles a boxing match much more than it does a chess game. Cheek points up the importance of seizing the initiative, and warns that EBO "can diminish initiative in favor of more careful analysis. . . . They may serve to paralyze operations, in a search of intellectual perfection to the detriment of the good enough." "Tactical success," he says, "will not be a product of catchy rhetoric or claims to be 'effects-based,' but only the product of detailed doctrine, hard training, and practiced battle drills."

Coercion vs. Compulsion

A similar assessment is put forward by Lt. Col. James L. Boling, in an essay entitled "Rapid Decisive Operations: The

Emperor's New Clothes of Modern Warfare." Boling picks apart Joint Forces Command's definition of RDO. The issue is one also identified by Cheek: What is it that you are trying to do to your enemy? Cheek cites Clausewitz, who defines war as "an act of force to compel our enemy to do our will." Cheek provides a model that pairs coercive force with compelling force. Coercive force provides the adversary a way out, but if that fails, then compelling force must be used, "ultimately imposing policy and strategic objectives on the enemy." Boling notes that compulsion occurs when a state annihilates its enemy's means to resist and can impose its will entirely through the application of force. Such victories, he says, are rare in history, however, and quick victories of annihilation are more often the result of serendipity than artful planning and execution. Coercion, rather than compulsion is the method of choice for today, however. "Coercion is not about the defeat of military forces, but about the defeat of the enemy's will," Boling writes.

It is on the issue of the will of the enemy that things get dicey for RDO, in Boling's view. "If a nation at war refuses to accept the changes in its affairs desired by its adversary, the war cannot truly end and the adversary's will is thwarted." Here, he takes a shot at operational net assessment, on which RDO depends. Boling writes that Joint Forces Command's RDO Whitepaper's "discussion of the operational net assessment suggests that future United States planners and decision makers will know even more about the enemy than he knows about himself. Confidence in the Operational Net Assessment is predicated on a fundamental faith in the ability to see with clarity what the enemy thinks, how he thinks, why he thinks that way, and the criteria, timing, and intent of the future decisions he will make." He calls ONA, "the labor of Sisyphus."

This problem does not seem to bother the transformation gurus, however. In an article on Air Force transformation in the Fall 2001 issue of *Aerospace Power Journal*, General Deptula writes, "In the post-Cold War environment, the United States is interested in controlling aberrant behavior and shaping hot spots, not annexing territory. This requires a different military campaign mind-set—one that focuses on coercing the target nation through coordinated military and diplomatic means. In a coercive campaign, effects-based employment of appropriate elements of national power can modify an opponent's behavior to comply with U.S. strategic objectives."

The Return of Attrition Warfare

So, what if the enemy doesn't change his behavior the way the ONA predicts, and the way EBO and RDO are supposed to accomplish? Boling writes that the RDO Whitepaper says, "While achieving effects is our primary method of influencing the enemy, in some cases the attrition of his forces may in fact be a primary means of producing the desired effect." Said another way, by Boling, "if the precisely calibrated, informa-

tion-centric RDO fails to work, the force can resort to the discredited legacy practice of wholesale kinetic destruction, which, since it is admittedly attrition, takes considerably longer, rendering RDO neither rapid nor decisive.” Indeed, that seems to have been the case in southern Iraq, days before U.S. troops entered Baghdad. The April 1 *Washington Post* quoted a Special Forces officer telling a senior Army commander in southern Iraq, “Sir, we don’t want a war of attrition, but we are in one.” The commander agreed.

In a footnote, Boling favorably refers to an article, “Three Cheers for Attrition Warfare,” in the March-April 2002 issue of *Armor* magazine, by Lt. Col. Steven J. Eden, a tank battalion commander at Fort Knox, Kentucky. Eden takes exception to the notion that old-fashioned forms of warfare, what the transformation crowd calls “kinetic,” are obsolete. He argues for applying attrition warfare successfully, which is how the United States beat Germany in World War II, and Iraq in the 1991 Gulf War. He specifically says that does not mean there is no place for maneuver warfare, but he gives many examples of famous generals who used it, almost exclusively, and lost, including Napoleon, Rommel, and von Manstein. Of current trends in military strategy and force transformation, he warns that “our conventional warfighting ability is inevitably eroded as we spend more of our resources on bargain-basement units”—special forces, light infantry, and the like.

Eden also criticizes what the transformation outlook has done to the debate. Under a paragraph headed “Alvin Toffler,” Eden writes, “Soldiers are so sensitive to charges that they are always preparing for the last war that they now consciously seek to prepare for the next one. This is admirable, in theory, but in practice, they are lousy at it. . . . The operative assumption is that technology is going to make the next war radically different from the last, but it’s a postulate based on a mixture of pop psychology, bad history, and wishful thinking.” He concludes that the tank, because of its mobility and firepower, is the most valuable thing on the battlefield, and we will need it in the future, “because the next big war will be won by attrition not maneuver.”

Paralleling both Boling and Eden, Cheek writes that the problem with the EBO approach is that it leaves the decision with the enemy—“he may decide to capitulate, or may decide to prolong the conflict to the last man.” The only way to compel the enemy is through close combat that leaves him “no choice but capitulation.” “Strategic policymakers,”



Do myriads of precision weapons and advanced communications in the air, mean that the troops on the ground are far less necessary and numerous? Traditional military officers don’t think so.

Cheek writes, “must recognize that it is essential to end successful warfighting in conjunction *with* strategic attack, *with* operational fires, and *with* tactical fires. The assertion that effects-based operations and ‘control warfare’ have ushered in a new era in warfare defies history, theory, and misreads the changes technology offers.” Airpower by itself, Cheek writes, lacks the compelling force that ensures decisions in conflict. Perhaps that should be the real lesson of the 1999 NATO bombing of Yugoslavia.

Missing from the debate is the proper definition of when a nation should or should not go to war. As Democratic Presidential candidate Lyndon LaRouche has noted, the only legitimate reason for a nation to go to war is to create the basis for durable peace. In the case of the United States, that legitimacy flows from the efficient commitment to the General Welfare, as that is defined in the Declaration of Independence and the U.S. Constitution, a commitment that has its origins in the 15th-Century Italian Renaissance. Competent military strategy can flow only from that commitment.

Secretary Rumsfeld, however, seems concerned with none of this. According to an April 14 report in the *New York Times*, Rumsfeld has sent up to Capitol Hill proposed legislation that would give him greater authority over personnel policy, including over appointments at the level of the four-star ranks, leading some officers to charge that he is weeding out the high command to preserve like-minded officers. Such an approach would be coherent with the policy adopted by the Bush Administration, which is one of perpetual wars of civilizations, which are to be fought under the utopian conceptions of military transformation.

Rumsfeld Pentagon Purge Echoes Hitler's in 1938

by Steve Douglas

In his March 31 *New Yorker* article on the battle between Secretary of Defense Donald Rumsfeld and military officers, Seymour Hersh speaks of “Rumsfeld’s personal contempt for many of the senior generals and admirals” and that he is “especially critical of the Army.” Hersh reports that Rumsfeld has purged the Joint Staff, the operating arm of the Joint Chiefs of Staff, by replacing all those senior planners who challenged his view. He also writes that one senior military planner told him, “All the Joint Staff people now are hand-picked, and churn out products to make the Secretary of Defense happy. They don’t make military judgments—they just respond to his snowflakes” (a derisive term the military has coined to describe Rumsfeld’s off-the-cuff memoranda).

Rumsfeld’s propensity for abusive and humiliating treatment of senior military officials, coupled with his purge of the Joint Staff, is reminiscent of Adolf Hitler’s conduct toward the traditionalist leadership of the German Army in early 1938, at the point that he had decided to launch aggressive war against neighboring countries. In late January and early February 1938, Hitler reorganized the hierarchy of the German Armed Forces in general, and the German Army in particular. In one fell swoop, Hitler announced that:

- He was abolishing the post of War Minister;
- He was appointing himself as the Supreme Commander of all the Armed Forces of Germany;
- He was replacing Army Commander-in-Chief Werner von Fritsch (who disdained the Nazis) with (pliable and mediocre) Gen. Walther von Brauchitsch, whose domineering and ambitious wife was a “200% Nazi”;
- He was relieving 16 anti-Nazi generals of their commands, by mandating their retirement;
- He was reassigning 44 other (suspect) senior Army Commanders;
- He was replacing the conservative Foreign Minister Konstantin von Neurath with the ardent pro-Nazi Joachim von Ribbentrop (ultimately sentenced to death at the Nuremberg Tribunal for conspiring to wage aggressive war);
- He was removing Ulrich von Hassell, the anti-Nazi German ambassador to Rome.

A “Führer’s decree” was read on German radio at midnight on Feb. 3-4, 1938: “From henceforth I exercise personally the immediate command over the whole Armed Forces. The former Wehrmacht Office in the War Ministry becomes the High Command of the Armed Forces (OKW), and comes immediately under my command as my military staff. At the

head of the staff of the High Command stands the former chief of the Wehrmacht Office [Gen. Wilhelm Keitel]. He is accorded the rank equivalent to that of Reichs Minister. The High Command of the Armed Forces also takes over the functions of the War Ministry, and the Chief of the High Command exercises, as my deputy, the powers hitherto held by the Reich War Minister.”

Gen. Franz Halder, the anti-Hitler Chief of the German Army General Staff from 1938 until 1942, later said, “Few realized at the time the complete break with the past that these events represented. The Army, quite unprepared, embarked on a new experience. It was not to be a happy one.”

‘No Resistance at the Top’

As Hitler sent Minister of War Werner von Blomberg packing, he asked him if he had any ideas as to who should head the new OKW which Hitler had just decreed into existence. When Blomberg could not come up with any suitable suggestions, Hitler asked him who headed his office staff. Blomberg replied that it was General Keitel, whom he characterized as “nothing but the man who runs my office,” and a subservient person who had no independent ideas of his own. Blomberg had thereby sought to dismiss Keitel as a candidate for the head post in the new OKW. But Hitler shot back, “That’s exactly the man I am looking for.”

Indeed, Keitel and his ever-present associate, Gen. Alfred Jodl, fit the bill perfectly. Keitel was so slavishly obedient to the dictates of Hitler, that he quickly acquired the sobriquet “Lakaitel”—a pun that made the rounds in the upper echelons of the Army—which means “purely a lackey.” As Keitel himself later noted, “For the execution of Hitler’s plans, which were unknown to us, he needed impotent tools unable to inhibit him.” And so it was that leading figures in the Army came to refer with disgust to the OKW not as “Oberkommando der Wehrmacht,” but rather, “Oben Kein Widerstand”—“no resistance at the top.”

By virtue of this sudden reorganization of the leadership of the Armed Forces, Hitler had massively downgraded the role of the Army in national life. The Army had always been the heart of the Armed Forces, because Germany was a land-based power in Central Europe. But with the creation of the OKW, Hitler changed all that. He reduced the Commander-in-Chief of the Army to the status of a service head who had to report to the OKW, along with the service heads of the Air Force and the Navy. Moreover, Hitler elevated his Nazi compatriot Hermann Göring to the rank of Field Marshal, as head of the new air force, the Luftwaffe. Göring’s promotion made him the ranking figure of the Armed Forces; i.e., higher in rank than Colonel General Brauchitsch, the Army’s new Commander-in-Chief.

It is worthwhile noting here, in light of Rumsfeld’s love affair with air power, that the most pro-Nazi of all the military services in Germany before and during World War II was the Luftwaffe. This was not simply because Hitler’s right-hand man Göring headed it, but also because there was no Prussian

General Staff tradition of independent initiative and thinking within it. Advocates of the Luftwaffe were much disoriented by the Utopian air doctrines of their day, just as we see with fanatical air power advocates today. Hitler was so enamored of the Nazi zeal of the Luftwaffe, that, later, in 1941, he authorized the formation of more than 20 infantry divisions of the Luftwaffe, involving 240,000 troops, instead of having those troops mustered into the German Army, whose divisions had been depleted by heavy losses on the Russian Front! Field Marshal Fritz von Manstein, the most able of the German Army's commanders, observed that such a plan was "sheer lunacy." Manstein reported that he had been informed that, "Göring told Hitler that he could not hand over 'his' soldiers reared in the spirit of National Socialism, to an army which still had chaplains and was led by officers steeped in the tradition of the Kaiser," and that the paranoid Hitler had endorsed that absurd "reasoning."

Hitler then, with a special decree that he issued in the Autumn of 1938, repudiated the principles of independent thinking and *Auftragstaktik* ("mission" orders or orientation), which had represented the core of the Prussian/German military's excellence and accomplishment. In that system, an officer had the responsibility for making known, and acting upon, objections he had to orders that he believed to be misguided, or which had been superseded by conditions on the battlefield. An incident that occurred in the Franco-Prussian War, retold by Gen. Helmuth von Moltke, illustrates the principle: "One day during the war with France, during a visit to the headquarters of Prince Frederick Charles, the Prince was observed criticizing a Major. The Major attempted to defend his actions, by claiming that he was following orders, and that as a Prussian officer, he believed that an order from a superior was tantamount to an order from the King. At this, the Prince bristled and declared: 'His Majesty made you a Major, because he believed you would know when *not* to obey his orders.' "

Col. Gen. Heinz Guderian, the creator of the Panzerwaffe (armored or tank troops), noted the destructive effect of Hitler's special order: "There had existed within the Army a system by which the chiefs of staff, down to and including the chief of staff of an army corps, shared the responsibility for the decisions taken by their respective commanding generals. This system, which involved the forwarding of a report by the chief of staff should he disagree with his commander, was discontinued on Hitler's orders. . . . In accordance with the 'leader principle' which he propagated, Hitler now logically ordered that the man who was in command must bear the entire and undivided responsibility; by this decree he automatically abolished the joint responsibility of the Chief of the Army General Staff (and of the OKW, too) in relationship to himself in his capacity as Supreme Commander of the Armed Forces."

General Jodl saw "the OKW not as containing officers and colleagues who had the right to think for themselves, to make suggestions and to advise, but as a machine for the

elaboration and issue of orders—orders that came from Hitler himself." The malleable Keitel was just what Hitler wanted. One observer of Hitler's circles noted that "Hitler said that he could not do without Keitel because the man was 'loyal as a dog' to him."

The Road to Czechoslovakia

Hitler rode roughshod over opposition to his making a military assault on Czechoslovakia. In March, a military tribunal revealed that General Fritsch had been cashiered in a massive frame-up, engineered by the highest levels of the SS and Gestapo. But this chain of events, which should have resulted in Fritsch's immediate reinstatement, was eclipsed by Hitler's *Anschluss* (annexation) of Austria, which happened at the same time. Hitler refused to reappoint Fritsch.

Army Chief of Staff Ludwig Beck wrote a series of memoranda warning of the horrifying consequences of Hitler's planned attack on Czechoslovakia. He said that such an assault would first lead to a European-wide war, and then to a world-wide war, which would result in the destruction of Germany and much of Europe. In early August, as Hitler's Oct. 1 deadline for an invasion of Czechoslovakia loomed, Beck attempted, in vain, to organize a mass resignation of the senior commanders of the Army, in protest.

To counter this unrest, Hitler summoned senior officers to his mountaintop retreat at the Berghof on Aug. 10. General Jodl recorded: "After dinner the Führer talked for nearly three hours explaining his line of thought on political questions. Thereafter certain of the generals tried to point out to the Führer that we were by no means ready. This was, to say the least, unfortunate. There are a number of reasons for this pusillanimous attitude which is unhappily fairly widespread in the Army General Staff. . . . [It] is obsessed with memories of the past, and, instead of doing what it is told and getting on with its military job, thinks it is responsible for political decisions. It does get on with its job with all its old devotion, but its heart is not in it, because in the last analysis, it does not believe in the genius of the Führer."

In one of his last memoranda as Army Chief of Staff, as he continued his desperate mobilization against the invasion of Czechoslovakia, Beck appealed to the military leadership to act with statesman-like responsibility, and think of their obligation for the welfare of the entire nation, and not just military affairs narrowly defined: "History will burden those military leaders with blood guilt who fail to act according to their professional knowledge and conscience. . . . There is a lack of stature and a failure to recognize one's mission when a soldier in highest position in such times conceives of his duties and problems solely within the restricted framework of his military assignments and in unawareness that his highest responsibilities are toward the entire nation. Abnormal times require deeds that are also out of the ordinary."

Beck submitted his resignation. Keitel, Jodl, and Göring were all convicted at Nuremberg of waging aggressive war, and sentenced to death.

Andrew Marshall: Key Architect of Utopian Military Policy

by Carl Osgood

In early 2001, newly confirmed Secretary of Defense Donald Rumsfeld selected Andrew Marshall, the director of the Pentagon's Office of Net Assessment (ONA), to conduct a review of military strategy and force structure. The review was to lay the foundation for the transformation of the military that then-candidate George Bush had promoted in a speech—said to have been written by protégés of Marshall—at the Citadel in September 1999. Little known outside military and strategic policy circles, Marshall is described as both “legendary” and controversial inside those circles for his unconventional views on everything from nuclear strategy to the organization of military forces. For example, the Center for Security Policy, a neo-conservative think-tank close to the chicken-hawk war-mongers in the Pentagon, praises Marshall as the right man for the job. “Andy Marshall has spawned not only creative ideas,” the center wrote in a February 2001 statement, but “he has been a mentor to a generation of first-rate strategic thinkers and sponsored some of the best security policy research at the nation’s academic institutions.” On the other side, journalist Jason Vest, writing in the *American Prospect*, quoted veteran CIA analyst Mel Goodman that “putting Andy Marshall in charge of this [strategic review] is a ploy to make sure national missile defense gets funded.”

While Marshall’s review remains classified, it can safely be assumed that it has had a great deal to do with the military strategy elucidated in the September 2001 Quadrennial Defense Review, and in Rumsfeld’s drive for military transformation. In his Citadel speech, Bush, defining what transformation would mean in his administration, told the cadets that “our forces must be more agile, lethal, readily deployable and require a minimum of logistical support. We must be able to project our power over long distances.” He said that while equipment currently in service should be improved as needed, “The real goal is to move beyond marginal improvements to replace existing programs with new technologies and strategies. To use this window of opportunity to skip a generation of technology.” Bush’s speech was reportedly written by Richard Armitage, now Deputy Secretary of State, and John Hillen, who formerly worked for Marshall in the ONA.

Military transformation started out as something called “the revolution in military affairs,” a notion that was put forward after the 1991 Gulf War against Iraq. The revolution in military affairs posits that information technology and preci-



Pentagon
“transformation”
guru Andrew
Marshall.

sion-guided weapons will change the nature of warfare in the 21st Century. It emphasizes the importance of communications and sensors, and the use of computers to rapidly integrate sensor data. Marshall’s interest in the revolution in military affairs was piqued, in the early 1980s, when he became aware that Soviet writers, and especially Marshal Nikolai Ogarkov, were looking into the military implications of advances in computer, communications, and sensor technologies, in conjunction with better warheads that would permit fire from a distance. The key to this revolution was the ability to “get inside an opponents’ decision cycle,” as it was described to *EIR* by one ONA military official.

Marshall’s influence is felt throughout the military and industry—despite the fact that only 15 people work in his office, and its budget for Fiscal 2003 is \$9.9 million. “Mr. Marshall has tremendous networks in academia, the Defense Department, and other parts of the government,” one ONA official told *EIR*. Because people he has trained over the past 30 years are seeded throughout the military, academia, think-tanks, and industry, Marshall has been able to steer military strategic policy to a great extent. Some of his protégés include Secretary of the Air Force James Roche; Gen. Lance Lord, commander of Air Force Space Command; and Andrew Krepinevich, the executive director of the Center for Strategic and Budgetary Assessments. Krepinevich, who does studies under contract to Marshall’s office, is known in Washington as a key lobbyist for military transformation. Marshall is also said to be close to Rumsfeld from the mid-1970s, during Rumsfeld’s first stint as Secretary of Defense. Marshall provided testimony to Rumsfeld’s 1999-2000 Commission to Assess the Ballistic Missile Threat to the United States, and reportedly played a large role in convincing the commission that a real threat is imminent.

‘Envirusing’ the Military

In the early 1990s, however, Marshall had a problem. Virtually nobody in the military services was doing anything

with these ideas. So, using a process described to *EIR* as “envirusing,” Marshall’s office set about organizing a series of war games with the services. The notion of “envirusing” was literally that the ideas would spread like a virus, through the environment created by the war games. The services would provide participants and Marshall’s office would provide scenarios of possible future wars, along with a variety of potential future technologies. In effect, Marshall’s office told the services, “These are the capabilities you might have, someday in the future. What can you do with them?” and that’s how the war games were organized.

According to the ONA military official, these games gave participants the freedom to think. Because the scenarios were set in an indefinite future, nobody worried about the conclusions negatively affecting their careers. As a result, participants would go back to their parent organizations and talk and write about the war games. Marshall’s office sees last year’s Millennium Challenge 2002 military transformation experiment as “a very large manifestation of envirusing.” The process “injected into the collective bloodstream of the late 1990s,” the ideas that Marshall was promoting, according to the ONA military official. The organizations that were created as a result of that process, such as U.S. Joint Forces Command, which ran the Millennium Challenge exercise, are now “up and running by themselves,” he said.

China as the Next Strategic Threat

Marshall’s professional career began at the California-based RAND Corp. in 1949, where, along with people such as Herman Kahn, Albert Wohlstetter, and Fred Iklé, he spent much of his time “thinking about the unthinkable,” that is, nuclear war. At RAND, Marshall’s areas of research included nuclear war scenarios, strategic warning, Monte Carlo simulation methods, analysis of Soviet military programs, application of organizational behavior theory to military analysis, and the development of strategic planning concepts, including strategy for long-term U.S.-Soviet political-military competition. Marshall’s predecessor as director of strategic studies at RAND was James Schlesinger, who, as Secretary of Defense, brought Marshall into the Pentagon in 1973.

When the Soviet Union collapsed, Marshall turned his attention to China, commissioning translations of many Chinese military writings, in much the same way he had approached the Soviet Union. One result of the focus on China was a study called “Asia 2025,” which came out in early 2000. According to a *Washington Post* article at the time, the report postulated that China will be a future threat to the United States whether it is strong or weak. “A stable and powerful China will be constantly challenging the status quo in East Asia,” the report said. “An unstable and relatively weak China could be dangerous because its leaders might try to bolster their power with foreign military adventurism.”

This rejection of the Clinton Administration’s policy of engagement with China caused some consternation in Asia. Then-Secretary of Defense William Cohen, during a Septem-

ber 2000 visit to Bangkok, Thailand, downplayed the significance of Marshall’s report, saying that what Marshall did was examine “a number of potential options which might evolve in the next 20 years.”

Nonetheless, according to the *Washington Post*’s account, Marshall’s report claimed that because of the ready availability of highly accurate cruise missile and ballistic missile systems by 2025, “states in the region may have powerful methods of . . . influencing the behavior of their neighbors that do not involve the threat or use of major forces for invasion, conquest, or occupation of territory. Instead, force will be used and objectives will be obtained increasingly through strategies that seek to coerce, intimidate, or deny access.” The report concluded, “An Asia it dominates but does not conquer or occupy is China’s goal.” This assessment is explained in Marshall’s office as little more than a consideration of the military problems that are presented by the geography of the Pacific region, given the rising dominance of Asia. A senior civilian assistant to Marshall explained that the military problems presented by the long over-water distances of the Pacific are very different from what had been the traditional focus on the Central European front. For example, “What does that mean for the capabilities that you need to have?” he asked.

Not everyone saw the Asia 2025 report in that light, however. Srdja Trifkovic of the Rockford Institute wrote that it sought “justification for an ever growing military machine, supplied by an ever growing military-industrial complex.” Other threats faced by the United States, Trifkovic said, demand smaller U.S. forces capable of deploying rapidly anywhere in the world. “But the China threat, a nuclear power with over a billion people, is satisfyingly Soviet-shaped and justifies a very different type of military build-up.” Trifkovic quoted Asia expert Chalmers Johnson, who wrote in the *American Prospect* in January 1997, that “Americans still remain confused by the shift in the nature of power from military strength to economic and industrial strength. They tolerate and even applaud bloated, irrational defense budgets while doing nothing to rebuild and defend the industrial foundations of national security.” Trifkovic called the Asia 2025 report “living proof of Johnson’s lament.”

The matter identified by Johnson is at the heart of the issue. For Marshall and his disciples, the industrial age is over. Instead, the United States must prepare itself for—as Adm. Arthur Cebrowski, Rumsfeld’s transformation czar, has put it—“warfare for the information age.” “The changes in information technology of the past decade,” said Marshall’s military assistant, “can’t help but have the same effect in the military as it does in society.” It’s possible they see the war on Iraq as a paradigm for this shift. “The lessons that come out of that may offer important clues as to what warfare may look like in 20 years,” added Marshall’s military assistant. However, how can the Information Age paradigm, which has proven itself incapable of physically supporting a population, be any more of a success in the military realm?

Grassley Saves Budget Resolution

Senate Finance Committee Chairman Charles Grassley (R-Ia.) delivered a dramatic speech on the floor of the Senate on April 11, that was instrumental in preventing the Fiscal 2004 budget resolution from going down to defeat. The House version of the resolution provided for \$726 billion in tax cuts, whereas the Senate version only included \$350 billion. The smaller tax cut had turned on the votes of Republicans Olympia Snowe (Me.), George Voinovich (Ohio) and Lincoln Chaffee (R.I.), all three of whom had maintained that anything larger was unacceptable.

Because the House would not accept a tax cut of less than \$550 billion, the GOP members of the conference came up with a parliamentary maneuver, such that the House would be instructed to pass legislation cutting taxes by the \$550 billion, and the Senate by \$350 billion. The Senate would need 60 votes to pass anything larger. Democrats blasted the maneuver, insisting that there was nothing to prevent the larger tax cut from being passed into law, after a conference agreement.

Once it was clear that the deadlock in the Senate was still not broken, Grassley intervened, announcing that he would act to ensure passage of the resolution. "I supported the President's number [of \$726 billion in tax cuts] at each step and support it today. Unfortunately there is not now a majority of Senators in support of the President's figure," he said, nor would that majority materialize. "The reality is that the Republican caucus is split," he said. Hence, he told the Senate that he had made an agreement with Snowe and Voinovich, that he would not allow any tax cut legislation to come to the conference committee for more than \$350 billion. The result was that

the resolution passed the Senate, by 51-50, with Vice President Dick Cheney breaking the tie.

The Grassley deal not only did nothing to mollify Democrats, but it has widened the split among the Republicans. House GOP leaders had understood the conference agreement to mean that the final size of the tax cut would be determined later, so they felt betrayed by Grassley's action. A fuming House Majority Leader Tom DeLay (R-Tex.) told reporters, after the Senate vote, "This goes right to the heart of our ability to work together. This is pretty serious and has serious long-term implications." Therefore, the House Republican strategy seems to be to treat Grassley as irrelevant. "We will continue to press for tax relief that will stimulate more than some Senator's ego," DeLay added.

The White House appears to be somewhat less determined than DeLay, however. With the war in Iraq supposedly over, President Bush has turned to promoting his domestic agenda, in which the tax cuts are a major item. However, in a speech on April 15, President Bush demanded \$550 billion in tax cuts, because "American workers and American businesses need every bit of that relief now, so that people who want to find a job can find one, so that people looking for work are able to put food on the table for their families." While that might be seen as a rebuke of Grassley, it is still a step down from the original \$726 billion proposal.

President Bush Gets War Supplemental

On April 12, the House completed action on the conference report for the Fiscal 2003 war supplemental appropriations bill. The \$78 billion bill included \$62 billion for the Defense De-

partment, \$2.5 billion for Iraq reconstruction, \$3.9 billion for homeland security, and an airline bailout package amounting to \$3.8 billion. The bill also provided for \$9 billion in loan guarantees to Israel, \$8.5 billion to Turkey and \$2 billion to Egypt.

What the bill did not give President Bush was the "flexibility" he demanded on how he could spend the money in the supplemental. Originally the White House requested that \$59 billion of the Pentagon money go into a defense emergency response fund, which would not have been subject to Congressional oversight. The conference agreement reduced that amount to \$15.7 billion and subjected it to a five-day notification requirement before it can be spent. Rep. David Obey (D-Wisc) explained, "That preserves to the Congress the right to review proposals for the spending of taxpayers' money." The rest of the defense request is earmarked to specific accounts, such as military personnel, operations and maintenance, and procurement.

The conference agreement also subjected the Iraq reconstruction money to the oversight provisions of the Foreign Assistance Act of 1961, although it lifted the prohibition against the Pentagon's spending that money. The Iraq reconstruction money is also subject to a five-day notification requirement.

Akaka Warns Against Nuclear 'Bunker Busters'

Daniel Akaka (D-Hi.) took to the floor of the Senate on April 11, to call into question Bush Administration plans to develop nuclear "bunker-buster" bombs. The Pentagon, he said, had reported to the House and Senate Armed Services Committees that it intends to study whether existing B61 and B83

nuclear bombs can be converted to into the so-called Robust Nuclear Earth Penetrator, which, along with low-yield warheads, is intended to destroy deeply buried targets.

Akaka first challenged the notion that such weapons could penetrate deep enough to eliminate the danger of radioactive fallout. He noted that a 0.1 kiloton warhead would have to burrow down 230 feet, for its blast to be fully contained, whereas limits on material strengths make it unlikely that such a weapon could penetrate deeper than 50 feet. Akaka added that a 1 kiloton warhead, exploding at a maximum depth of 20 to 50 feet, would eject more than 1 million cubic feet of radioactive material from a crater the size of a football field, with extensive collateral damage.

Finally, Akaka warned, "If the United States starts down this path, Russia will be encouraged to do the same. If Russia begins, maybe China will too. A new arms race in supposedly low-yield and 'usable' nuclear weapons will result. . . . We should stop this new tactical arms race before it starts."

House Votes Further Electricity Dereg

Republicans are describing as a "comprehensive" energy policy, a new bill voted up, by 247-175, on April 11 in the House. The bill included many provisions of last year's failed effort, but also took up further energy deregulation, through a provision repealing the Public Utility Holding Company Act (PUHCA), which was not taken up in last year's bill. Democrats blasted the bill as a sop to the big energy companies, and alleged that it failed to address the disaster raised by electricity deregulation in California in 2000 and 2001.

House Energy and Commerce Committee chairman Billy Tauzin (R-La.) described the bill as "a balanced approach to energy production and use," by supposedly encouraging investment in both production and conservation. He said the committee bill sought to increase domestic energy supplies and also promote energy efficient technologies. Joe Barton (R-Tex.) said that the bill "puts our nation on a forward path towards better electricity markets," increasing transmission capacity, improving operation of existing capacity, and making widespread competition "even more successful than it currently is today."

John Dingell (D-Mich.) introduced an amendment to strip out the PUHCA repeal, and while the Republicans opposed it vigorously, they refused to acknowledge what the repeal would mean. Dingell told the House that the electricity title, besides repealing the PUHCA, "ties Federal regulators' hands in reviewing unjust and unreasonable electricity contracts." His amendment, to the contrary, "will protect consumers" by curbing fraud and manipulation. Typifying the GOP response to Dingell's amendment, Barton complained that it was just "an expansion of Federal authority over natural gas and electricity generators and transmitters anywhere in the country." Dingell's amendment went down to defeat by a vote of 193-237.

Budget Resolution Debt Ceiling Rise Draws Fire

House Democrats are rarely happy about how the Republicans craft and ram through budget legislation, but the fiscal 2004 budget resolution had them complaining even more loudly than usual. The resolution arrived on the floor of the House less than two hours after it was completed by the confer-

ence committee, necessitating a "martial law" rule so that it could be considered. Because it was considered so quickly, Democrats did not even have a chance to read the bill, and it is likely that very few Republicans have read it either. Rep. James McGovern (D-Mass.) called the process "an assault on regular order" that was "appalling." Third, the resolution provides for a total increase in the debt limit, over ten years, of \$5.64 trillion, or an average of \$564 billion per year through 2012. The increase for 2004 alone would be \$984 billion.

Democrats, without exception, told the House that the debt limit in the resolution means that the GOP was planning to increase the national debt by that amount. Bobby Scott (D-Va.) charged that the GOP plan would raise the national debt from \$4,500 average share for a family of four, to \$8,500, which, of course, generates interest costs. "So every time they cut another tax, they have to pay interest, and this number is going up." Doc Hastings (R-Wa.), responded to a query from Charles Stenholm (D-Tex.) admitting that, under House rules, the budget will, indeed, raise the debt ceiling by the specified amounts, and explained, "We are running deficits because of the war and the downturn of the economy." Stenholm then told the House that it was about to vote to add \$1.4 trillion (that is, the \$984 billion plus last year's \$450 billion) to the national debt "within a period of one year following the economic game plan" that a majority of Republicans will not say is not working.

The budget resolution, which is binding only on the House and Senate, does not actually change the statutory debt limit, however. That will require separate legislation that goes to President Bush for his signature. How the Republicans intend to address that issue has still not become apparent.

Robert Maxwell: A Spy Betrayed—But Whose Spy?

by George Canning

Robert Maxwell, Israel's Superspy: The Life and Murder of a Media Mogul

by Gordon Thomas and Martin Dillon
New York: Carroll and Graf Publishers, 2002
448 pages, hardbound, \$27.00

This book on the late London-based publisher and tycoon Robert Maxwell is less a biography than an exposition of particular aspects of Maxwell's life and death. It particularly focusses upon Maxwell's role as an international operative of the Israeli state and the Mossad intelligence service, his financial operations in the East bloc before and after the fall of the Soviet Union, his multimillion-dollar financial scams in the West, and his role in the emergence of a true international alliance of organized crime.

The central feature of the book is the assertion that Maxwell's apparent drowning death in 1991 from his yacht in the Canary Islands was in fact an assassination by the Mossad. According to the authors, Maxwell tried to escape insolvency as his monumental scams caught up with him, by attempting to blackmail the Mossad with knowledge gained as one of their high-level operatives. A short time later, Maxwell was killed by a Mossad *kidon* assassination team.

The book is loosely structured as material in the *kidon* operational dossier of Maxwell's life, habits, and associates. Much of the material on Maxwell and the Mossad is attributed directly or by implication to interviews with figures from the Israeli defense and intelligence establishment. The interviewees named by Thomas and Dillon include the late Prime Minister Yitzhak Rabin; former head of Military Intelligence and

Prime Minister Ehud Barak; former Military Intelligence head Uri Saguy; former Mossad Directors-General Meir Amit and Isser Harel; former Mossad Assistant Director-General David Kimche; former Mossad Director of Operations Rafi Eytan; former Mossad field officers Juval Aviv and Eli Cohen; and "Efraim" of the *kidon* unit that killed Maxwell. Mossad "renegades" Ari Ben-Menashe and Victor Ostrovsky are major sources as well, who appear to have confirmed, from their own sources still in the Mossad, the allegation that a right-wing cabal in Mossad killed Maxwell. Notably absent from the list of sources are Yitzhak Shamir and Shabtai Shavit, respectively the Prime Minister and the Mossad Director-General at the time of Maxwell's death.

The assertion that Maxwell was an Israeli asset is not a new one; Seymour Hersh asserted in his 1991 book on Israel's nuclear armaments, *The Samson Option*, that Maxwell had acted as a Mossad agent in his media campaign of vilification against Mordechai Vanunu, the Israeli physicist who had revealed that Israel had the bomb. What is new, so far as I can tell, are rather impressionistic descriptions of his 1984 recruitment to gather intelligence on the post-Brezhnev Soviet Union, and a more detailed recounting of Israeli involvement in the Inslaw case in the United States.

The Inslaw Case

Inslaw was a small software firm owned by a former U.S. National Security Agency employee, which developed "case-tracking" software called PROMIS (Prosecutor's Management Information System), which it licensed to the U.S. Justice Department for use in complex prosecutions. Presumably, such software was designed to allow DOJ prosecutors to keep track of a complicated mass of trial information.

The DOJ violated the licensing agreements with Inslaw

and provided copies of the PROMIS software to various other agencies of the United States and its perceived allies. According to Thomas's and Dillon's book, pirate copies of PROMIS were soon being marketed all over the world by one or more companies owned by Maxwell, by a firm owned by Reagan-Meese associate Earl Brian, and by the CIA. One of the key persons providing introductions for Maxwell's marketing the software to U.S. agencies including Sandia Lab, the book states, was former Sen. John Tower (R-Tex.), who joined Maxwell's payroll in 1984, during his last year in the U.S. Senate. (The book asserts that it was through Maxwell and his agent Tower, that the Israelis persuaded President Reagan, in Summer 1985, to begin providing arms to the Iranians—an assertion which if true, moves the Tower Commission investigation of "Iran-Contra" out of the character of coverup, and into the realm of historical joke.)

The primary attraction of the software was not its use for litigation, but the fact that PROMIS could integrate "innumerable" databases, for accessing and organizing intelligence data. According to Thomas and Dillon:

In Holland, Intel used it to track the activities of the Russian Mafia as it shipped arms and drugs through Schipol Airport. In Germany the BND, the nation's equivalent to the CIA, used the software to follow the trail of nuclear materials out of the former Soviet Union into the Middle East. In France, the security Services used Promis to track terrorists in and out of North Africa. In Spain, the software was used to keep tabs on the Basque terrorist movement. In Britain, MI5 used it to watch the movements of the scores of Middle East groups who had set up base in London. In Northern Ireland, it became a weapon for the security services tracking the IRA as its members came and went across the border with the Irish Republic. In Scotland, it formed a database for what became the long-running investigation into the terrorist destruction of Pan Am 103. In Hong Kong, Britain's MI6 used the program to track the Triads and agents from the People's Republic. In Japan, Promis was used to interdict the links between the Japanese underworld and its counterparts in North Korea and mainland China. The software allowed Sweden to maintain a watch over foreign diplomats in the country, especially those from Eastern Europe who might be using their political immunity to set up arms-traffic networks.



Robert Maxwell (right) with Ariel Sharon, now Israel's Prime Minister. A former high-level Israeli operative, Maxwell is alleged to have been murdered by a right-wing cabal in the Mossad, when he threatened to step out of line.

Indeed, the "counterintelligence application" of PROMIS sounds not a little like Adm. John Poindexter's present-day "Total Information Awareness" system for data-mining the nation's financial and government databases for Pentagon domestic security operations.

But the version of PROMIS marketed first through Earl Brian and later through a Maxwell company, Information on Demand, had a little something extra. Thomas and Dillon describe how the Mossad's Rafi Eytan allegedly personally conned a copy of PROMIS out of DOJ in February 1983, and then had his LEKEM scientific-espionage unit re-engineer the software. (Eytan, who told Thomas in a 1998 British TV documentary that he'd provided the Brits with PROMIS to track IRA Provo terrorists, appears to have been the source of this detailed story.) *This LEKEM version marketed by Maxwell, had a "trap door" in it, which allowed Israeli intelligence to monitor the computers of law enforcement or intelligence agencies which were using Eytan's PROMIS, anywhere in the world.* LEKEM's PROMIS operation appears to have occurred in the same timeframe as Eytan and LEKEM oversaw Jonathan Pollard's espionage against the United States; the only link stated by the authors, is that Eytan and Mossad Director Admoni saw Maxwell's marketing of PROMIS as a way to continue penetrating U.S. intelligence after Pollard's arrest.

Sold to Osama bin Laden?

The authors assert that it was discovered a month after the 9/11 attacks on the World Trade Center and the Pentagon, that a copy of PROMIS was stolen from DOJ by rogue FBI

intelligence agent Robert Hanssen, who provided it to his Moscow controllers, who in turn sold it to Russian-Israeli organized crime godfather (and sometime Maxwell business partner) Simeon Mogilevitch, who sold it at a huge mark-up to Osama bin Laden. This, the authors claim, is why bin Laden has been able to evade capture—he's been monitoring his trackers.

The capabilities of PROMIS in tracking terrorists raise important questions about 9/11, regardless of whether bin Laden had the software. One of the striking things about the investigation of those attacks, as reported in the daily news media, was the speed with which the accused hijackers' biographies, and their movements on several continents, were purportedly developed by investigators and reported to the public. The speed of the portrayed post-9/11 investigation of those subjects (supposedly starting from a review of the airliners' passenger lists) contradicted the physical constraints of any background investigation, such as the time necessary to identify and then locate and contact possible witnesses for questioning, or an interviewee's lack of recollection or contradiction of other sources. Given the 9/11 investigation's putative supersession of the laws of space and time, and the assertions of PROMIS's capabilities in the hands of multiple intelligence agencies, it is reasonable to speculate that the radical Islamic fundamentalists said to have carried out the attacks, were in fact "on the radar" of those agencies long before those attacks. That is, whatever the real or supposed blunders of the FBI and other agencies in the ground-level investigation of, for example, suspicious activities at flight-schools—so what, if PROMIS tracked Mohammed Atta et al. from Frankfurt and London radical imams, to the United States?

British Connection Ignored

The focus upon Maxwell's activities for the Mossad, described explicitly in the context of his alleged assassination by that agency, and the description of Mossad minutiae, are interesting; but the fact that the story is told so heavily from an Israeli point of view is a major weakness in evaluating Maxwell, whose life story raises a much larger question than his activities on behalf of the Israeli state.

The book's Israel-orientation and its omission of Maxwell's activities for the British government and its intelligence services, obscures the complicated "character type," typified by Maxwell, in post-World War II diplomacy and espionage: the high-profile figure who is plausibly viewed as an agent, spy, or agent-of-influence simultaneously, of several governments in conflict with each other—particularly the United States, Great Britain, the Soviet Union and East bloc, and Israel—all of which know or suspect he is working for adversary intelligence services. The paradox of such figures as Maxwell, Armand Hammer, Henry Kissinger, Marc Rich, and the Bronfmans—of which intelligence service ultimately guided their actions—is usually resolved by selecting a coun-

try which seems to have benefitted the most from the agent's activity. Thomas and Dillon's presentation of Maxwell from the Israeli viewpoint, from his birth in the *shtetl* to his burial in the Mount of Olives cemetery in Jerusalem, predictably resolves the paradox in the case of Robert Maxwell, but only by ignoring other compelling evidence.

For example, although the book's exposition of Maxwell's biography is sketchy for the period prior to the mid-1980s, his family's background in the rural Jewish ghetto of Czechoslovakia, and his own childhood there (born in 1923 as Abraham Ludvik), are described in quite some detail. The key factor in Maxwell's life, as the book paints the story, is his identity as a Jew.

This is probably true, as far as it goes. As other sources make clear, there is little doubt that Maxwell was—despite his public reputation as a willing tool of the Communist bloc—an ardent right-wing Zionist. In her 1994 memoirs (which appear to repeat the official biography of her husband), Maxwell's widow, Elisabeth, related that Maxwell's mother was an active member of the Czech Social Democratic Party, and later of the Zionist movement; the young Ludvik/Maxwell was a member of the Jabotinskyite Betar youth organization, and later of an underground Zionist movement, while a student in Bratislava. More importantly, in 1990 the German Jewish magazine *Semit* reported that Maxwell (despite his image as a Labor Party supporter), the Bronfmans, and Henry Kissinger were taking over the Israeli media to strengthen the right wing around Yitzhak Shamir and Ariel Sharon. A year before, when Maxwell had attempted to buy the *Jerusalem Post*, that paper's staff expressed trepidation, in light of Maxwell's earlier crackdown at *Ma'ariv* (of which he had purchased 33% in 1988) when it published a report that Israeli intelligence had criticized Prime Minister Shamir for not talking with the Palestine Liberation Organization.

Thomas and Dillon relate that among the things Maxwell learned at his mother's knee, was that "to behave and act like an Englishman is to be successful," which literarily foreshadows his success as a British media baron. But the book largely omits the story of how Maxwell became a successful Englishman, and in so doing completely obscures his ties to the British government and intelligence beginning in the 1940s. The authors do outline Maxwell's having served in various British army units during World War II, following his entry to Britain with the Czech Legion in 1940; his assignment to an intelligence unit because of his language skills; and his having distinguished himself after the 1944 Allied invasion of Europe as a sniper and interrogator of German prisoners. The book also reports as Maxwell's initial foray into intelligence, his interrogation of high-level German prisoners after the war at Spandau Prison (where Rudolf Hess, Joseph Goebbels, and Hjalmar Schacht were interned).

However, the book omits any mention of Maxwell's intelligence assignment in liberated Paris, monitoring the French Communists. More important, it is absolutely silent about his

role in the post-war occupation of Germany. It was reported in a 1994 German documentary that Maxwell was press officer for the British Control Commission, responsible for overseeing German-language press in Berlin and issuing licenses. Mrs. Maxwell said in her memoirs, that his post was “censor to the newly revived Berlin press” as an officer of Public Relations and Information Services Control; and that there, he made many contacts in the publishing world.

Utilizing those contacts, Maxwell in January 1947 started a company called European Periodicals, Publicity and Advertising Company (EPPAC), aimed at reviving exports of German scientific, technical, and medical publications. In late 1947, he contracted with Germany’s Springer Verlag publishing house for the exclusive worldwide sales and distribution rights of their books and journals. By June 1948, according to Mrs. Maxwell, he had signed distribution contracts with “some of the most prestigious German scientific, medical and technical publishing houses” and “EPPAC had already begun deliveries to customers and libraries via Her Majesty’s Stationery Office at a time when EPCOM—the official Enemy Publications Committee set up by Churchill in 1945 expressly to import the huge cache of German classified scientific information—had still not even managed to fix an appropriate exchange rate.” A firm set up in 1949 by Maxwell and Springer Verlag, Lange Maxwell & Springer, took over and expanded EPPAC’s import-export operations during the early 1950s. One should consider in examining this stage of Maxwell’s career, that intelligence work often is less the obtaining of secret nuggets of information, than reliably establishing what various nations’ key thinkers have in their minds.

In 1949, Maxwell purchased Butterworth Springer, a German scientific-books publishing joint venture of Springer Verlag and the British publisher Butterworth and Co., which he later renamed Pergamon Press. As reported in earlier biographies of Maxwell, Butterworth Springer had had its origins in a 1946 “suggestion” to Butterworth by the British government, that it enter the field of scientific publishing. One of the key figures in the formation of the joint venture company, and its later sale to Maxwell, was British MI6 official Count Frederick vanden Heuvel, who, Thomas and Dillon report, tried unsuccessfully in post-war Berlin to recruit Maxwell as a part-time MI6 agent. Pergamon under Maxwell became a leading scientific publisher. According to British intelligence sources, the British Secret Intelligence Service (SIS) underwrote Pergamon to gain access to Soviet and East bloc scientists’ biographies and their papers. Mrs. Maxwell related that her husband’s partner in Pergamon, Paul Rosbaud, had served as a British spy inside the Nazi science establishment, and it



Robert Maxwell with then-British Prime Minister Margaret Thatcher, whom he described as one of his trusted friends. Maxwell’s ties to the British intelligence services went a bit beyond “friendship.”

was he who “cleared Bob in the worlds of the SIS, SOE and XU (Resistance Intelligence Organization), allowing him to cooperate at the height of the cold war with scientists involved in top-secret work on both sides of the Atlantic and behind the Iron Curtain.”

So the Israeli spy Maxwell seems, despite his lifelong Zionist emotional attachment to Eretz Israel, to have been *also* a long-term British agent, an activity which continued up through his adventures in post-Soviet Russia and Eastern Europe. How could he have been, really and truly, both? That paradox is posed by the new revelations about Maxwell and the Mossad by Thomas and Dillon, but remains unanswered.

I cannot help but wonder about the high profile in this book of members of the Israeli establishment—what *their* purpose was in contributing to this book. Books about the Mossad always raise the question, how much is exposé, how much *Schrecklichkeit* (a demonstration of ruthlessness). It is said that even in radical Jewish politics, there was a long-held taboo against killing another Jew, and that this taboo was broken when the Israeli right wing killed Prime Minister Rabin in 1995. It is well known that Sharon and the Israeli right have financed the zombie killers of ordinary Israeli citizens, to undermine Yasser Arafat and the Palestinian Authority. If this book is correct, the same forces also killed one of their own, Robert Maxwell. One can only hope that elements of the Israeli elite have decided that the murders of Maxwell and Rabin for reasons of state were unconscionable; and that those murders, along with a host of bad Israeli military and intelligence policies to similar effect, have to be rethought and superseded—as the Israeli Defense Forces general, Rabin, rethought Israel’s relations with the Palestinians—for Israel to survive.

African-American Woman Was a Pioneer In American Classical Music Tradition

by Susan W. Bowen

A Biography of E. Azalia Hackley, 1867-1922, African-American Singer and Social Activist

by Lisa Pertillar Brevard

Lewiston, N.Y.: Edward Mellen Press, 2001

390 pages, hardbound, \$129.95

Lisa Brevard's biography of Emma Azalia Hackley (1867-1922) tells the story of a remarkable but little-known African-American woman, who, during a cultural "little dark age" in America, fought to bring Renaissance culture and education to former slaves and their children.

Emma Azalia Hackley described herself as a "race musical missionary"—that is, a role model, who took personal responsibility to educate African-Americans in the best of Classical culture, in order to uplift them, especially the poor, in both the North and post-Reconstruction South. She was part of the generation of African-American artists and intellectuals which included such luminaries as Paul Laurence Dunbar, Charles W. Chesnutt, Booker T. Washington, W.E.B. DuBois, Henry O. Tanner, and Ida B. Wells.

By 1901, Hackley was already a well-known concert soprano, Classically trained in the *bel canto* tradition. She began to devote herself to what became her life's work: spiritually uplifting an entire population through Classical music, whose *intention* is expression of the dignity of man in the image of God. It would take another 30 years before Marian Anderson, representing the same tradition, could break through and become recognized as a model of Classical culture for all Americans.

At the turn of the century, there was a lively Classical music presence among African-American communities. Hackley was active in the Washington Conservatory of Music, the National Association of Negro Musicians, and many similar organizations. She also worked to found "people's choruses," which she organized others to continue, when she moved on to new communities.

In 1913, for example, when the People's Choral Society she had founded gave their seventh concert with a new con-



Madame Emma Azalia Hackley devoted her life to uplifting an entire population through Classical music.

ductor, performing Felix Mendelssohn's oratorio *Elijah*, the soloists included Roland Hayes, tenor, who was just beginning his international career, and Harry T. Burleigh, baritone, the composer of many beautiful settings of African-American spirituals and collaborator of Antonin Dvořák. Hackley's Chicago-based Vocal Normal Institute gave concerts to raise funds to send gifted African-American students to Europe for training.

'Teacher of Ten Thousands'

What earned Madame Hackley, as she insisted upon being called, the wonderful epithet "Vocal Teacher of Ten Thousands," was her continuous organizing of huge community concerts and mass Folk Festivals, for which she travelled to big cities and small towns throughout the nation, including the deep South, wielding the weapon of Classical music to reach deep into the souls of whomever she touched. Self-financed and self-promoted, a concert would be scheduled for her, as the main draw, to perform operatic arias, other Classical compositions, and African-American spirituals, to which would be added choral performances by local people.

When she arrived at the concert location, she would gather

the local church or community chorus and whoever wanted to sing—often a few hundred voices of varied skill and capability—train them for approximately ten days, and then conduct them in concert. Sometimes, she would share the stage with promising local singers or musicians. Mme. Hackley would supplement the concert by giving free classes on “voice culture,” lecture demonstrations, and other workshops, which were emphatically not just about singing.

The purpose of these “voice culture” classes and demonstrations was to enable her students—children and grandchildren of former slaves—to discover within themselves a cognitive power, and to communicate it in song—Classical song—to others. A certain outlook is required for singing, Hackley would explain to her students: “If one is a Somebody and has done nothing of which he is ashamed, one may look upwards towards the face of his Maker because he is in His image, and every line will say, ‘I am a Somebody. . . .’”

That she held such classes in the South, where this defiant teacher travelled even as Jim Crow laws were in effect, was not without major difficulties. Blacks who didn’t “know their place,” or who “stepped out of line,” could pay with harassment and even their lives.

Poise of a ‘Somebody’

Working to instill a sense of purpose in everyone she could reach, Hackley authored short books and numerous periodical articles. She lectured at schools, colleges, churches, and communities. In her 1909 *Guide to Voice Culture*, Mme. Hackley developed a concept of the physical and cognitive processes involved in singing. The text conveys certain laws of physics which govern the production of sound, and other basics. But, what she begins with, and returns to throughout, is that a crucial mind-set is required if one is to create and communicate an idea. Thus, while consciously working to create a beautiful *sound*, she was undertaking to create and develop beautiful *souls*. For example, in explaining the importance of voice placement, Mme. Hackley quotes Plato on the diaphragm. She explains how a high fixed chest will become a habit: “This high fixed condition is the poise of a ‘Somebody,’ and if one *is* a ‘Somebody,’ his carriage should imply the fact.”

From December 1914 through March 1915, Mme. Hackley published a series of articles in the *New York Age*, titled “Hints to Young Colored Artists.” These included not only comportment in the professional world, but, as usual, in life

Schiller Institute Upholds The Legacy of Mme. Hackley

In the early 1990s, civil rights heroine Amelia Boynton Robinson and two other African-American legends, vocal coach Sylvia Olden Lee and operatic baritone Robert McFerrin, collaborated with Lyndon LaRouche on a project of making Washington, D.C., a desirable, safe, and beautiful place to live. Rather than having children duck bullets while walking to school, LaRouche proposed a cultural intervention into the nation’s capital.

Sylvia Olden Lee had already taken upon herself the mission of saving the African-American Spiritual, and insisted that renewing the practice of *bel canto* singing, would communicate the essence of this tradition. Schiller Institute Vice Chairwoman Amelia Boynton Robinson revived the musical drama she had written in 1936, *Through the Years*, which incorporated many African-American Spirituals, and it was performed in American cities, with more than 1,000 children participating in Washington, D.C. alone.

The Schiller Institute sponsored free Classical concerts, featuring the best professional and also amateur Classical singers of opera, *Lieder* (German art songs), and spirituals. This work was advanced by an order of magnitude, when world-renowned baritone Dr. William War-

field joined the Schiller Institute Board in 1996, teaching master classes and holding concerts, workshops, and discussions, as well as instructing members of the LaRouche movement. Most inspiring, Dr. Warfield, a student of the tradition represented by the almost-forgotten Mme. Hackley, coached members of the LaRouche Youth Movement, until his death in August 2002. With his coaching, young men and women were steeped in singing *Lieder* and Spirituals, and in the lost art of poetry recitation, presenting the works of Keats, Shelley, Shakespeare, Schiller, as well as the late-19th-Century African-American poet Paul Laurence Dunbar.



Sylvia Olden Lee and William Warfield at a Schiller Institute conference in Washington, D.C., May 27, 1994.

itself. In the first section, "How a Professional Achieves Success," she presents the key secret: "Give to get. . . . Our world is what we ourselves make it. The world does not make our professional success. Whatever we reap we sow." From there, Mme. Hackley attacks many of the axioms of the ego-ridden "professional world," while she simultaneously emphasizes that it is necessary for the artist to dignify the profession, and to be above everything common. Even in discussing practical suggestions for successfully promoting a concert or attracting a following, she emphasizes the importance of character and garnering respect at all costs.

One of her two published books, *The Colored Girl Beautiful* (1916), was written at the request of Booker T. Washington, after Mme. Hackley had given a series of talks to the girls at Tuskegee Institute, which he had founded in Alabama. In it, she writes that colored children are born with the most beautiful eyes in the world, and that "the obligation of a gift is the preservation and cultivation of this gift. Little colored children should be taught to keep their eyes open and bright with intelligence and clear with good health, because the eyes are the windows to the soul. Their eyes should look straight into the eyes of others with their souls shining through. . . . Within each of them . . . is an inward sculptor, Thought, who is a rapid, true workman." Time and again she returns to this idea, explaining, "Thought will improve their good points and will eradicate objectionable points." Thus, a child should be given subjects to think about at an early age, and should be taught to see the "beautiful in Nature and Art, that the reflection may be seen in her face and actions."

Bridging the Gap

In Philadelphia, Mme. Hackley organized concerts in the churches (where, on one occasion, a 12-year-old Marian Anderson sang). She used the African-American Spiritual in her vocal teaching, consciously bridging the gap between the African-American elite and the working classes, as well as the Baptist, Methodist, and Episcopal churches. Her students included those who went on to careers in music, as well as many recent migrants from the South, who worked the most menial jobs, and just wanted to learn, or to participate in her Folk Festivals.

The many press clippings from African-American newspapers and magazines of the day presented in Brevard's book, provide first-hand reports of the impact of this process. To appreciate the insights of such a remarkable teacher, however, it is best to read the stories woven by Mme. Hackley into her own writings, which, to author Brevard's credit, she published in full. Living in the post-Reconstruction era, when minstrel shows became the norm of popular entertainment, Hackley's refusal to abandon her commitment to the coherence of culture and morality, and to the education and elevation of the spiritual qualities of even the lowliest of persons through great art, is a lesson well learned in the world in which we live today.

The 'New Economy,' Frankenstein's Monster

by Stuart Rosenblatt

When Genius Failed: The Rise and Fall of Long Term Capital Management

by Roger Lowenstein

New York: Random House, 2000

264 pages, paperbound, \$14.95

A battle broke out among financial policy-making circles in the United States and Europe in February and March 2003, centering on what to do about the out-of-control, completely unregulated financial bubble in the market for so-called financial derivatives contracts. *EIR* has estimated that as much as \$400 trillion is at issue, and nothing less than the liquidity of the hopelessly bankrupt financial system is called into question.

On the side of insanity, Federal Reserve Chairman Alan Greenspan and Fed Board member Ben Bernanke both have declared—within a couple of days in November 2002—the Fed ready to crank up the printing presses to an unlimited excess, to save the derivatives bubble. In February, when the head of the Office of Federal Housing Enterprise Oversight issued a report saying that Fannie Mae and Freddie Mac could experience wide-ranging crises due to their massive derivatives exposure, he was immediately fired by the Bush Administration, and replaced with a former leading derivatives specialists from J.P. Morgan Chase.

But in early March, Berkshire Hathaway chair Warren Buffett sent a letter to shareholders warning, that "Derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal. . . . We view them as time bombs, both for the parties that deal in them and the economic system." *EIR* on March 14 and March 21 covered these developments in depth.

One good study on the origin of the derivatives bubble and the shape of new derivatives disasters, is a scathing exposé of Long Term Capital Management, a gigantic Greenwich, Connecticut-based derivatives gambling house whose meltdown nearly blew out the entire world financial system in August 1998. Author Roger Lowenstein was a *Wall Street Journal* reporter and author of a previous book on Warren Buffett. Contrary to the myth that derivatives are merely a

smart hedge against risk, Lowenstein shows that derivatives trading is a massive and lethal assault against the very substance of the economy.

Economist and Presidential pre-candidate Lyndon LaRouche, most recently in his State of the Union address of Jan. 28, has said the world financial crisis in the Fall of 1998 marked the turning point in the disintegration of the post-war financial system and the bursting of the “New Economy” bubble. At the center of this near-total meltdown of the system was the spectacular bankruptcy of Long Term Capital Management (LTCM).

Poster Boy for the New Economy

Lowenstein’s book makes clear that without the intervention of the major merchant banks, especially Merrill Lynch and its vice president, Herbert Allison, there never would have been an LTCM. It was cobbled together in the Fall of 1993 and opened for business the following February. From the stock market crash of 1987 to the banking crises of 1991-92, in which Citibank, among others, was placed on Federal Reserve life support, several leading commercial banks were hovering on the brink of insolvency. Beginning in the early ’90s, they launched, with ample help from the Fed, the New Economy bubble and its associated buildup of the derivatives cancer. LTCM, like Enron, MCI-WorldCom, and others, was a poster firm for the ensuing madness. The Frankenstein-like creation of hedge funds or arbitrage bond-trading units in the major banks, became one of the major Wall Street-sponsored operations to get the banks “back on their feet” during the “great prosperity” of the 1990s.

LTCM was an agglomeration of the core group of high-flying bond traders, headed by John Meriwether, at Salomon Brothers, which was shut down and its remnants bought up by Smith Barney, due to the exposure of criminal operations involving junk bonds and the U.S. Treasury-bond market. The entire Salomon arbitrage group moved as a bloc into LTCM. Several big-name academics, who would be awarded the Nobel Prize in economics at the very moment LTCM began to come apart four years later, Myron Scholes and Robert Merton, came on board. They were topped off by the addition of Federal Reserve vice chairman David Mullins, heir apparent to Alan Greenspan.

LTCM entered into business with the largest equity pool in history, \$1.25 billion, garnered from around the world. Major firms in at the outset included Paine-Webber, Sumitomo Bank, Dresdner Bank, Bank Julius Baer of Switzerland, the Liechtenstein Global Trust, and others. More interesting were Michael Ovitz, the Hollywood agent; Phil Knight, the CEO of slave labor-supporting Nike shoes; and Republic National Bank New York Corp., headed up by Edmond Safra.

Hedge funds deliberately eluded all Federal regulation. They are private investment funds limited to small numbers of the wealthy people, who put in a substantial amount of

money (each investor must be worth at least \$1 million), which is then managed for them by so-called professionals. They do not have to register with the Securities and Exchange Commission, their portfolios are hidden, and they have unlimited borrowing power. They are the modern-day dream come true of Meyer Lansky, and are home to the most notorious “legitimate” gangster types, including George Soros, Julian Robertson, and Michael Steinhardt.

Justifying their actions as merely “hedging risks” by mirroring one bet with an opposite transaction, hedge funds like LTCM made only the riskiest of bets. In contrast to its name, LTCM was a day-to-day cutthroat money machine. It became the foremost trader in the most exotic forms of speculation, known as derivatives. The various forms included swaps, options, futures, equity volatility, merger arbitrage, and wilder creations.

Derivatives are unregulated financial instruments whose value is “derived” from an underlying asset whose value is being speculated upon—a stock, commodity, bond, etc. They were brought into being in the early 1970s by the deregulation of the financial markets. The first currency futures were traded at the Chicago Mercantile Exchange (CME), and interest rate futures were traded at the Chicago Board of Trade and the CME in this period. The financial wizards who promoted the theory of these markets were Fisher Black and Myron Scholes, for whom the Black-Scholes model, now synonymous with the demise of LTCM, is named.

The ‘Theory’ Behind the Practice

LTCM also propounded a set of principles, which it held as axiomatic. Lowenstein does an excellent job in presenting and later debunking this so-called theory. LTCM was the major practioner of the Black-Scholes model as developed by Fisher Black and taught by LTCM’s Myron Scholes and Robert Merton. It was part of the “sex-appeal” of the firm.

Black-Scholes’ variety of John von Neumann-ite lunacy held that all prices, including stock market prices, were accurate reflections of reality, and their past fluctuations could be relied upon to predict future fluctuations; further, that all “markets” were “efficient” and would tend to converge on historic, previously established numerical levels. Past performance of markets, prices, volatility, etc. was an accurate barometer to gauge the future. According to these radical empiricist charlatans, markets mimicked the behavior of various physical processes, such as heat transfer, where seemingly large numbers of random events would eventually find a calculable pattern, imitating the “normal” distribution of a bell curve. Hence, risk was quantifiable, precisely as rolling dice was quantifiable and predictable. With a large enough sampling and with computer calculations, one could assess risk and predict outcomes—stock and bond prices, spreads, interest rate fluctuations—even to the smallest degree.

Into this witches’ brew of Newtonian financial physics,

LTCM added one further ingredient: leverage. Their investments, especially in financial derivatives, relied on minute divergences in historic patterns, and the exploitation of the expected movements (always back toward convergence on historic valuations). They poured in enormous amounts of borrowed money—leverage, “other people’s money”—to play the differentials. They bet the house. The professors figured out the spreads, much like a bookie, and the bankers poured in the lines of credit to execute the trades. The banks were paid substantial fees by LTCM, and other hedge funds, reaped large rates of return, and extended more lines of credit, usually with no collateral, to the star investors. It was a marriage made in Hell.

Creative Accounting for All

LTCM was in no way acting on its own, not a “lone assassin,” an aberration among otherwise respectable, conservative bankers. Everyone was in on it. From the outset in 1994, LTCM was reporting handsome profits: a 27% rate of return in 1994, 59% in 1995, 57% in 1996, and so on until it crashed. However, as Lowenstein writes, they also subscribed to the Arthur Andersen accounting school, and regularly failed to subtract the leverage from their balance sheets. The real earnings were more in the range of 3-6%!

Betting options on future prices of stocks, called equity volatility, became LTCM’s mainstay; it bet “equity vol” to fall. Its fallacious long-term models told its managers to short equity volatility globally, and so they had “a staggering \$40 million riding on each percentage point change in the United States, and an equal amount in Europe” on this trade alone.

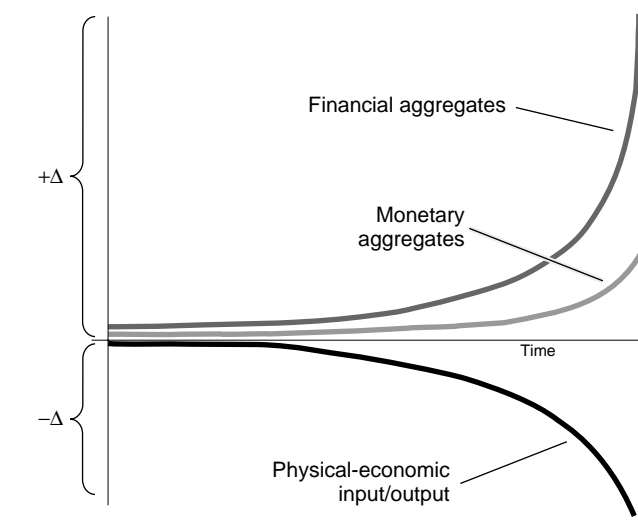
The geniuses at LTCM also moved heavily into Brazilian and Russian state debt in 1997, into directional unhedged bets on bonds, various other options, merger arbitrage, including the financing of the brilliant MCI-WorldCom merger, and other madness. All of this was funded and egged on by J.P. Morgan, Merrill Lynch, United Bank of Switzerland, and the others. By the end of 1997 every major financial institution was awash in bad derivatives and related debts, the markets were saturated, and any tiny tremor would bring down the entire house of cards.

In January 1998, LTCM looked good on paper. It had \$4.6 billion in equity, compared to the \$1.25 billion it had opened with in 1994. But it also owed \$140 billion in loans, and had an astounding \$1.4 trillion in outstanding derivatives contracts! There were, conservatively, 50 counterparties (banks, insurance companies, brokerage firms, etc.) to LTCM’S derivatives trades, and at least 7,000 separate derivatives contracts. In the Fall of 1997, during the so-called Asia crisis—in reality the initial phase of the bursting of the global bubble—Scholes and Merton of LTCM won the Nobel Prize for Economics.

As the markets around the world tumbled from that Fall of 1997, the geniuses at LTCM and elsewhere were caught. Since then, the underlying laws of the universe have been asserting themselves in a greater and greater crisis. As

FIGURE 1

LaRouche's Typical Collapse Function



LaRouche had forecast three years earlier, with his now famous Triple Curve collapse-function analysis of May 1995 (**Figure 1**), the biggest financial bubble in history—of which LTCM was one star manipulator—was hopelessly out of proportion with the underlying physical reality that was being cannibalized to meet the requirements of the financial aggregates of that bubble. It was guaranteed to burst, and disintegrate the entire system. At no point could the linear-extrapolation models of Nobel Prize winners Merton and Scholes predict this occurrence. In fact, it was their model that caused the debacle, which appropriately devoured the authors!

Systemic Crisis

As the markets roiled throughout 1998, LTCM and other such funds began to fall apart. The demise of the Russian GKO state bond scheme triggered the shocking Russian state default. This in turn set off chain reaction, reverse-leverage collapses across the globe of stock markets, currencies, and other national indebtedness. LTCM, worth \$4.6 billion in equity in January 1998, lost \$1 billion in the Spring and early Summer, another \$1.4 billion in August alone, and every remaining penny by Oct. 1!

Lowenstein’s portrayal of the final months of LTCM and the near meltdown of the whole system allows a peek through a keyhole rarely made public. In mid-September, sensing the crash was out of control, LTCM-partner and former Federal Reserve Vice President David Mullins, and Goldman Sachs CEO and LTCM controller Jon Corzine, summoned William McDonough, the New York Fed chief, to survey the damage. McDonough, who had been monitoring the situation himself, sent in Peter Fisher, the official in charge of monetary manipulations for the Fed. Looking

through the books at LTCM, Fisher was shocked. LTCM's trades, massive in volume, and heavily leveraged, were linked to similar trades around the world. Were they to fail, and they were hemorrhaging badly, they immediately threatened the integrity of the whole system. Should LTCM's counterparties sell everything in unison and overwhelm the markets, it would cost the 17 leading counterparties, such as Merrill Lynch, Goldman Sachs, J.P. Morgan, and Salomon Brothers, as much as \$2.8 billion.

"Fisher eyeballed the number and thought, 'That might be plausible in a normal market.' But markets were already sorely frayed; now they could go totally haywire. Mentally, Fisher adjusted the potential losses to \$3 billion, to \$5 billion, and even that was a guess. It wasn't just Long Term that was on the hook—it was all of Wall Street. . . . 'I'm not worried about markets trading down,' he confided. 'I'm worried that they won't trade at all.' As others he spoke with remarked, 'This is a new paradigm.' "

Fisher concluded that everything was in jeopardy, and Lowenstein captures this sense of panic. "Fisher's concern was the broader notion of 'systemic risk': if Long Term failed, and if its creditors forced a hasty and disorderly liquidation, he feared that it would harm the entire financial system, not just some of its big participants. Greenspan later used the phrase 'a seizing up of the markets,' conjuring up the image of markets in such disarray that they might cease to function—meaning that traders would cease to trade. McDonough evoked a parallel fear—that losses in so many markets and to so many players would spark a vicious circle of liquidations, extreme fluctuations in interest rates, and then still further losses: 'Markets would . . . possibly cease to function for a period of one or more days and maybe longer.' "

The elected U.S. government should have moved, during 1998, to place LTCM, its counterparties, and other similarly bankrupt entities into an orderly Chapter 11 bankruptcy reorganization, much as Franklin Roosevelt did in 1933 upon taking office. However, the Federal Reserve functions as a central bank on behalf of the private banks, and operates strictly on their behalf to maintain their system, even by the looting and destruction of the U.S. economy itself.

Upon hearing the results of the Fed investigation, the major banks, including Merrill, Morgan, and Goldman, asked the Fed to pull together the necessary venue where this enormous problem could be solved, at least to their liking. The Fed served merely as referee among the competing, vulture-like banks, whose thuggery against one another threatened the integrity of the system itself. Two items were on the agenda: an immediate, short term, massive financial bailout of LTCM, that must be done literally overnight or the whole shebang would blow out; and second, a longer-term bailout of the system itself, using government power and money. The first item could not wait for government action. The second item came to be known as the "wall of money" policy, limitless government printing of cash to save the system.

Two back-to-back meetings took place in a 24-hour period on Sept. 22-23, 1998. Both meetings were convened by the Fed and held in the boardroom. "Fisher opened the massive wooden doors and invited them in. It was an awesome gathering, the cream of Wall Street. . . . Twelve banks had sent twenty-five bankers—all men, all middle aged. Even these thick-necked bankers, though familiar to one another, were unaccustomed to seeing so many of their brethren on such short notice and in such a place, squeezed into soft, leather-backed chairs under the quiet gaze of the gold-framed oil portraits that rimmed the boardroom. Morgan's Sandy Warner broke the ice, jovially declaring, 'Boys, we're going to a picnic, and the tickets cost \$250 million.' "

The meeting dragged out all night, with no resolution. They reconvened the next morning with nearly double the numbers, swelled by the likes of Sandy Weill of Citibank and Richard Grasso, the president of the New York Stock Exchange. Finally, a deal was hashed out. \$3.6 billion was raised on the spot, primarily from 14 banks, to take over and salvage LTCM.

Bankruptcy Reorganization

The next morning, Fed Chairman Greenspan lowered the prime rate, and the system was saved, for the moment. Greenspan had reluctantly initiated a policy, dubbed "the wall of money," which has been implemented ever since, to hyperinflate the financial markets. In cranking up the printing presses, Greenspan borrowed a page from the German government actions of 1923 that set into motion the financial bubble that bankrupted the German mark and eventually brought in the Hitler government.

Lowenstein concludes his book with stinging attacks on Greenspan's opposition to any regulation of hedge funds or derivatives, despite the obvious mayhem they have caused. To rectify the crisis, Lowenstein recommends a return to regulation, especially regarding derivatives, calling for increased reporting and total control over the market. He castigates Congress and the White House for their collective failure to take the necessary actions. While acknowledging the curious timing of the Monica Lewinsky affair, Lowenstein missed the true import of the event. At the same moment (September 1998) that President Clinton and Treasury Secretary Robert Rubin were calling for a "new financial architecture," under the influence of Lyndon LaRouche's mobilization for a New Bretton Woods system, the Monica scandal was unleashed to prevent precisely such action by the President.

Lowenstein is also blunt in his attack on Scholes, Merton, and the idea of computer modelling of the financial markets. "If Wall Street is to learn just one lesson from the Long Term debacle, it should be that. The next time a Merton proposes an elegant model to manage risks and foretell odds, the next time a computer with a perfect memory of the past is said to quantify risks in the future, investors should run, and quickly, the other way."

Money Talks, News Media Lie

The raft of reports about Democratic Presidential campaign fundraising that have appeared over the last days rival the Goebbels-style reporting on the war against Iraq, in their practice of blatant lying by omission. It is of crucial importance for the country, whether the Democratic Party will resume its role as a real opposition to the party of war and Wall Street, and force a change in current disastrous policies, or whether its candidates and Congressional leaders will buckle under to a state of “permanent war emergency” until the economy, the Presidency, and the nation are hopelessly lost. Thus is it critical that Lyndon LaRouche’s leadership be recognized, against the “Big Lie” that continues to try to keep him out of Presidential debates and news coverage.

Blacked out of all “mainstream” reports of the Federal Election Commission campaign-money filings, is the fact that the LaRouche in 2004 Democratic Presidential campaign has raised a total of \$3,902,377, with \$821,000 of that in the first quarter of 2003. Lyndon LaRouche ranks fourth among the ten announced Democratic candidates in total campaign fundraising, exceeding six of the so-called major candidates: Sen. Joe Lieberman (\$3 million); Vermont Gov. Howard Dean (\$2.6 million), Florida Sen. Bob Graham, Ohio Rep. Dennis Kucinich, former Illinois Sen. Carol Moseley-Braun, and Al Sharpton. Here are the figures:

Candidate	1st Q	Total
Kerry	\$7,010,242	\$10,162,140
Edwards	7,418,568	7,418,568
Gephardt	5,951,721	5,951,721
LaRouche	821,776	3,902,377
Lieberman	3,013,842	3,013,842
Dean	2,639,209	2,944,360
Graham	1,119,161	1,119,161
Kucinich	180,060	180,060
Moseley-Braun	72,450	72,450
Sharpton	na	na

Taking the first quarter of 2003 alone, when all ten candidates were locked in a strenuous fundraising race,

LaRouche is still seventh of the ten. Between January and March, LaRouche out-raised so-called major candidates Rep. Dennis Kucinich, who reported \$180,060, and former Sen. Carol Moseley-Braun, who reported \$72,450 in contributions. Al Sharpton’s report, due April 15 if he raised more than \$5,000, was not filed, but is expected to be less than LaRouche’s first-quarter total.

LaRouche’s fundraising includes no contributions from political action committees, or bundled contributions from law firms or any other firms.

Those analyzing the significance of the fundraising totals, should also note that both Sen. John Kerry (Mass.), who raised a total of \$7 million in the first quarter, and Rep. Dick Gephardt (Mo.), who announced raising \$5.9 million in the first quarter of 2003, have transferred millions of dollars left over from previous political campaigns, to their Presidential committees. Sen. John Edwards (N.C.) was the highest fundraiser, with \$7.4 million in contributions.

How then, can the major media justify their blackout of LaRouche’s campaign, which receives major national support in spite of it? How can the Congressional Black Caucus, like other political or social formations, justify their attempt to omit LaRouche from their major Presidential debate? Is their fear of the media more important to them than the political process, the will of the voters, and the fate of the country itself?

LaRouche’s campaign funds, as opposed to those of the “money” candidates, are being poured into immediate political activity, such as Washington, D.C. radio ads, pamphlets, and the deployment of his youth movement in political interventions. “There’s more bang for your buck from giving to the LaRouche Presidential campaign,” said one of his campaign spokesmen. “LaRouche has the largest active national campaign on the ground, and more staying power, because of his ideas, than the ‘money’ candidates.”

Money talks: This kind of support for a true *opposition* candidate can’t be faked or “spun up.” Any Presidential election debate or news roundup from which LaRouche is blocked is a fraud, and a dangerous one.

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 • UNIONTOWN—Ch. 2
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 Sundays—Afternoons

ALASKA
 • ANCHORAGE—Ch. 44
 Thursdays—10:30 pm
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ARIZONA
 • PHOENIX
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 Fridays—12 Noon
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 Fridays—12 Noon
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 • CABOT—Ch.15
 Daily—8 pm
 • LITTLE ROCK
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 Sat: 1 am, or 6 am

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 • BREA—Ch. 17
 Mon-Fri: 9 am-4 pm
 • BUENA PARK
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 Tuesdays—6:30 pm
 • CARLSBAD
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 3rd Wed—6 pm
 • CLAYTON/CONCORD
 AT&T-Comcast Ch.25
 2nd Fri—9 pm
 Astound Ch.31
 Tuesdays—7:30 pm
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 AT&T Ch.26
 2nd Fri—9 pm
 • COSTAMESA Ch.61
 Wednesdays—10 pm
 • CULVER CITY
 MediaOne Ch.43
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 • E.LOS ANGELES
 Adelphia Ch. 6
 Mondays—2:30 ppm
 • FULLERTON
 Adelphia Ch.65
 Tuesdays—6:30 pm
 • HOLLYWOOD
 AT&T—Ch.3
 Wednesdays—6:30 pm
 • LANC/PALM
 Adelphia Ch.16
 Sundays—9 pm
 • LAVERNE—Ch.3
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 • LONG BEACH
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 • MARINA DEL REY
 Adelphia Ch.3
 Thursdays—4:30 pm
 MediaOne Ch.43
 Wednesdays—7 pm
 • MID-WILSHIRE
 MediaOne Ch.43
 Wednesdays—7 pm

• MODESTO—Ch.2
 Thursdays—3 pm
 • OXNARD
 Adelphia Ch.19
 Americast Ch.8
 Tuesdays—7 pm
 • PLACENTIA
 Adelphia Ch.65
 Tuesdays—6:30 pm
 • SANDIEGO Ch.19
 Wednesdays—6 pm

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 Adelphia Ch.53
 Tuesdays—6:30 pm
 • STA.CLAR.VLY.
 T/W & AT&T Ch.20
 Fridays—1:30 pm
 • SANTA MONICA
 Adelphia Ch.77
 Thursdays—4:30 pm
 • TUJUNGA—Ch.19
 Mondays—8 pm
 • VENICE—Ch.43
 Wednesdays—7 pm
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 Mon & Fri—10 am
 • WALNUT CREEK
 AT&T Ch.6
 2nd Fridays—9 pm
 Astound Ch.31
 Tuesdays—7:30 pm
 • W.HOLLYWOOD
 Adelphia Ch.3
 Thursdays—4:30 pm
 • W.SAN FDO.VLY.
 Time Warner Ch.34
 Wed—5:30 pm

CONNECTICUT
 • GROTON—Ch.12
 Mondays—10 pm
 • MANCHESTER Ch.15
 Mondays—10 pm
 • MIDDLETOWN—Ch.3
 Thursdays—5 pm
 • NEW HAVEN—Ch.29
 Sundays—5 pm
 Wednesdays—7 pm
 • NEWTOWN/NEW MIL.
 Cablevision Ch.21
 Mondays—9:30 pm
 Thursdays—11:30 am

DELAWARE
 • WASHINGTON
 Comcast Ch.5
 Starpower Ch.10
 Alt. Sundays—6 pm
 4/20, 5/4, 5/18,
 6/1, 6/15, 6/29

FLORIDA
 • ESCAMBIA COUNTY
 Cox Ch.4
 2nd Tue: 6:30 pm

IDAHO
 • MOSCOW—Ch. 11
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ILLINOIS
 • CHICAGO
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 • QUAD CITIES
 Mediacom Ch.19
 Thursdays—11 pm
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 AT&T Ch.21
 Monday-Thursday
 8 am - 12 Noon

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 Mediacom Ch.19
 Thursdays—11 pm

KENTUCKY
 • BOONE/KENTON
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 Fridays—2 pm

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 • BRAintree
 AT&T Ch.31
 BELD Ch.16
 Tuesdays—8 pm
 • CAMBRIDGE
 MediaOne Ch.10
 Mondays—4 pm
 • WORCESTER—Ch.13
 Tue—8:30 pm

MICHIGAN
 • CALHOON
 ATT Ch.11
 Mondays—4 pm
 • CANTON TWP.
 Comcast Ch.18
Zajak Presents
 Mondays: 6-8 pm

• DEARBORN
 Comcast Ch.16
Zajak Presents
 Mondays: 6-8 pm
 • DEARBORN HTS.
 Comcast Ch.18
Zajak Presents
 Mondays: 6-8 pm

• GRAND RAPIDS
 AT&T Ch.25
 Fridays—1:30 pm
 • KALAMAZOO
 Thu: 11 pm (Ch.20)
 Sat: 10 pm (Ch.22)

• KENT COUNTY
 Charter Ch.7
 Tue—12 Noon,
 7:30 pm, 11 pm
 • LAKE ORION
 Comcast Ch.65
 Mondays & Tuesdays
 2 pm & 9 pm

• LIVONIA
 T/W Ch.12
 Thursdays—5 pm
 (Occ. 4:30 pm)

• MT.PLEASANT
 Charter Ch. 3
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 Wednesdays—7 am
 • PLYMOUTH
 Comcast Ch.18

Zajak Presents
 Mondays: 6-8 pm
 • SHELBY TWP.
 Comcast Ch.20
 WOW Ch.18
 Mon/Wed: 6:30 pm
 • WASHTENAW
 AT&T Ch.17
 Thursdays—5 pm
 • WAYNE COUNTY
 Comcast Ch.68
 Unscheduled pop-ins
 • WYOMING
 AT&T Ch.25
 Wednesdays—10 am

MINNESOTA
 • ANOKA
 AT&T Ch.15
 Mon: 4 pm & 11 pm
 • BURNSVILLE/EGAN
 ATT Ch.14,57,96
 Tuesdays—5:30 pm
 Saturdays—9 pm
 Sundays—10 pm

• CAMBRIDGE
 US Cable Ch.10
 Wednesdays—2 pm
 • COLD SPRING
 US Cable Ch.10
 Wednesdays—5 pm

• COLUMBIA HTS.
 MediaOne Ch.15
 Wednesdays—8 pm
 • DULUTH—Ch.20
 Mondays—9 pm
 Wednesdays—12 pm
 Fridays—1 pm

• FRIDLEY—Ch.5
 Thursdays—5:30 pm
 Saturdays—8:30 pm
 • MINNEAPOLIS
 PARAGON Ch.67
 Saturdays—7 pm
 • NEW ULM—Ch.14
 Fridays—5 pm

• PROCTOR/
 HERMANTOWN—Ch.12
 Tue: Btw. 5 pm-1 am
 • ST.CLOUD AREA
 Charter Ch.10
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 Thursdays—8 pm

• ST.CROIX VLY.
 Valley Access Ch.14
 Thursdays: 4 & 10 pm
 Fridays—8 am
 • ST.LOUIS PARK
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 Wed, Thu, Fri:
 12 am, 8 am, 4 pm

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 SPNN Ch.15
 Saturdays—10 pm
 • ST.PAUL (N Burbs)
 AT&T Ch.14
 Fri: 6 pm & Midnite
 Fri: 6 am & Noon

• ST.PAUL (NE burbs)*
 Suburban Ch.15
 • ST.PAUL (S&W burbs)
 AT&T-Comcast Ch.15
 Tue & Fri: 8-8 pm
 Wednesdays: 10:30 pm
 SOUTH WASHINGTON
 ATT Ch.14—1:30 pm
 Mon, Tue, Wed, Thu

MISSISSIPPI
 • MARSHALL COUNTY
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MISSOURI
 • ST.LOUIS
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 Thursdays—12 Noon

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Citizen Watchdog
 Tuesdays—7 pm
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NEVADA
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 Wednesdays—7 pm
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 TRENTON Ch.81
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 • MONTVALE/MAHWAH
 Time Warner Ch.27
 Wednesdays—4 pm

• NORTHERN NJ
 Comcast Ch.57*
 PISCATAWAY
 Cablevision Ch.71
 Wed—11:30 pm
 • PLAINSBORO
 Comcast Ch.3*

NEW MEXICO
 • ALBUQUERQUE
 Comcast Ch.27
 Mondays—3 pm
 ANTHONY/SUNLAND
 T/W Ch.15
 Wednesdays: 5:05 pm

• GRANT COUNTY
 Comcast Ch.17
 Fri & Sat:
 7 pm or 8 pm
 • LOS ALAMOS
 Comcast Ch.8
 Mondays—10 pm

• SANTA FE
 Comcast—Ch.6
 Saturdays—6:30 pm
 • TAOS—Ch.2
 Thursdays—7 pm

NEW YORK
 • BRONX
 Cablevision Ch.70
 Fridays—4:30 pm
 • BROOKLYN
 T/W Ch.34
 Cablevision Ch.67
 Tue: 3:30,11:30 pm

• BUFFALO
 Adelphia Ch.20
 Thur.—4 pm; Sat.—1 pm
 • CHEMUNG/STEBEN
 Time Warner Ch.1
 Mon & Fri: 4:30 pm

• ERIE COUNTY
 Adelphia Intl. Ch.20
 Thursdays—10:35 pm
 • ILION—Ch.10
 Mon & Wed—11 am
 Saturdays—11:30 pm

• IRONDEQUOIT Ch.15
 Mondays—7:30 pm
 • JEFFERSON/LEWIS
 Time Warner Ch.2
 Unscheduled pop-ins
 • JOHNSTOWN—Ch.16
 Fridays—4 pm

• MANHATTAN—MNN
 T/W Ch.34; RCN Ch.109
 Alt. Sundays—9 am

• NIAGARA COUNTY
 Adelphia Ch.20
 Thursdays—10:35 pm
 • ONEIDA—Ch.10
 Thu: 8 or 9 pm
 • PENFIELD—Ch.15*
 Penfield Comm. TV*

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 4/25—4 pm (Ch.56)
 4/25—6 pm (Ch.34)
 • QUEENSBURY Ch.71
 Thursdays—7 pm
 • RIVERHEAD Ch.70
 Thu—12 Midnight

• ROCHESTER—Ch.15
 Sundays—3 pm
 Mondays—10 pm
 • ROCKLAND—Ch.71
 Mondays—6 pm

• SCHENECTADY Ch.16
 Mondays—3 pm
 Wednesdays—8 am
 • STATEN ISL.
 Time Warner Cable
 Thu—11 pm (Ch.35)
 Sat—8 am (Ch.34)

• TOMPKINS COUNTY
 Time Warner
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 Thu—5 pm (Ch.13)
 Sat—9 pm (Ch.78)

• TRI-LAKES
 Adelphia Ch.2
 Sun: 7 am, 1 pm, 8 pm
 • WEBSTER—Ch.12
 Wednesdays—9 pm

NORTH CAROLINA
 • HICKORY—Ch.3
 Tuesdays—10 pm

OHIO
 • CUYAHOGA COUNTY
 Ch.21: Wed—3:30 pm
 • FRANKLIN COUNTY
 Ch.21: Sun.—6 pm
 • LORAIN COUNTY
 Adelphia Ch.30
 Daily: 10 am, or
 12 Noon, or 2 pm;
 or 12 Midnight

• OBERLIN—Ch.9
 Thursdays—7 pm
 • REYNOLDSBURG
 Ch.6: Sun.—6 pm

OREGON
 • LINNBENTON
 AT&T Ch.99
 Tuesdays—1 pm
 • PORTLAND
 Tue—6 pm (Ch.22)
 Thu—3 pm (Ch.23)

• SALEM—Ch.23
 Tuesdays—12 Noon
 Thursdays 8 pm
 Saturdays 10 am
 • SILVERTON
 Charter Ch.10
 Mon, Tue, Thu, Fri:
 Btw. 5 pm - 9 am

• WASHINGTON ATT
 Ch.9: Tualatin Valley
 Ch.23: Regional Area
 Ch.33: Unincorp. Towns
 Mon & Wed—11 am
 Saturdays—9 pm

RHODE ISLAND
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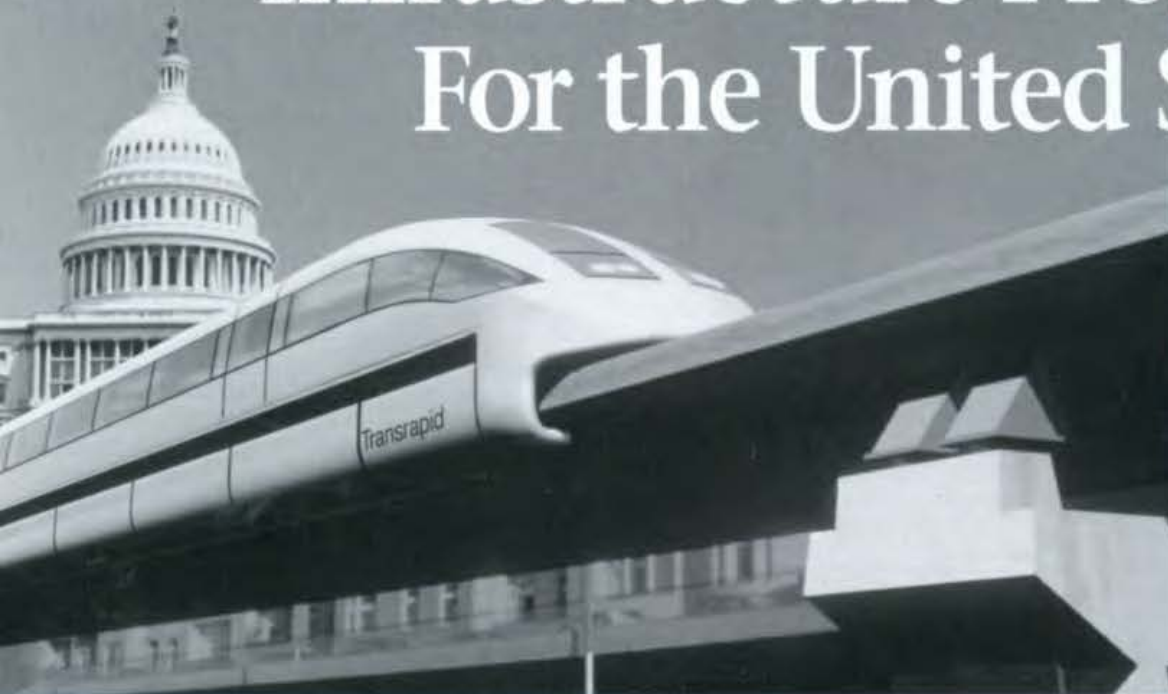
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