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LaRouche Turns Up the Heat on Cheney for Iraq Hoax
Trans-Korea Rails Connect: 'These Lines Will Go Through'
'Talking Big Projects.' Mekong Cooperation Comes of Age

LaRouche Speaks For America to Turkey's Leaders



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From the Associate Editor

In his call for a July 2 webcast debate among Democratic Presidential candidates, Lyndon LaRouche posed the topic: “What Is the Relevance of FDR’s Policy for Today’s World?” This week’s issue gives a sharp sense of the *international* answer to that question. After all, Roosevelt, in his famous duel with Sir Winston Churchill at Casablanca, vowed to industrialize the parts of the world that had been kept in backwardness by Britain and other colonial powers. That unfinished legacy of FDR has been taken up today, by LaRouche.

Look at it through the eyes of the rest of the world:

- LaRouche visited **Turkey** in mid-June, where he was warmly received by leaders across the political spectrum. The theme of his presentations was “Eurasia: New Key for Global Development and Peace”—not exactly what Turks are used to hearing from Americans, these days.

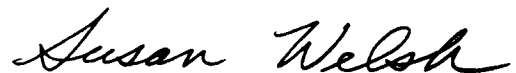
- The divided nation of **Korea** re-connected the lines of the Trans-Korean Railway, for the first time since 1945. This is a victory for LaRouche’s policy approach to the Korean crisis, in opposition to the war drive of Dick Cheney and his chicken-hawks.

- The **Italian** government is forging ahead with its plan for a “New Deal” of infrastructure development for Europe.

- All of **Asia** and **Europe** would benefit from an aggressive, high-technology approach to Asian development, as Jonathan Tenenbaum reports in our *Feature*.

- An example of the success of the FDR/LaRouche approach, is shown by the progress toward development of the Mekong River Basin in Southeast Asia (see *Economics*). Roland Eng, the Ambassador of Cambodia to the United States, said in his interview with *EIR*: “You know, you need vision, like LaRouche. He is someone who has vision. In addition to vision, you have to put a realistic project into place. Then you have to put a group of people who are working seriously on that, to create a working group, and act aggressively.”

In the July 2 webcast, LaRouche will also open new flanks in his war with the imperial chicken-hawks, both inside and outside the Administration (Democratic Leadership Council, beware!). Unless their hold on the Presidency is broken, there is no way to stop the descent into war, depression, and fascism.



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Addressing a nation hard-hit by the political ramifications of the Iraq War, Lyndon LaRouche was able, during his June 13-18 visit, to shift the mood in the country from pessimism to hope that U.S.-Turkish relations can be repaired, not through Ankara's capitulation to imperial dictate, but through a fundamental shift inside the United States, spearheaded by LaRouche's Presidential campaign. He was the keynote speaker at a conference in Istanbul, co-sponsored by the Cultural Affairs Department of the Istanbul Municipality, on the theme "Eurasia: New Key for Global Development and Peace"; and another, on the same theme, hosted by the Ankara Chamber of Commerce. Among the 700 people attending the two events were government ministers, members of Parliament, intellectuals, professors and students, and the media.

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“Could the economic development process, now occurring in China and its neighbors in Southeast and Southern Asia—together accounting for over half the world’s population—offset the effects of the profound economic crisis gripping most of the rest of the world? Could Asia’s growth prevent a full-scale ‘Great Depression’ from taking hold of the global economy, and provide a way out for Germany and other export-oriented nations in Europe? Our answer, developed here, is a resounding ‘Yes!’ ” From a Special Report of EIR Nachrichtenagentur, *The Lautenbach Plan and Eurasian Development: Measures To Overcome Mass Unemployment*.

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One measure of the impact of the LaRouche campaign exposé of the network of neo-conservatives, Leo Strauss protégés, and fellow travellers of Israel’s Likud party in and around the Bush Administration, is the spate of hysterical media admissions that LaRouche was the source of the “Leo-con” revelations.

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It’s Time for a ‘New Deal.’

Trans-Korean Rail: ‘These Lines Will Go Through!’

by Kathy Wolfe

In simultaneous ceremonies on the western Kyongui Line and eastern Donghae Line, the two Koreas at 1:00 p.m. on June 14 re-connected the lines of the Trans-Korean Railway (TKR) for the first time since Sept. 1, 1945. Fifty officials of North and South presided at a ceremony in which 25 kilometers of new rail was laid on either side of the sensitive Military Demarcation Line (MDL) which runs down the center of the 14-km-wide Demilitarized Zone (DMZ).

Lead footage of the Seoul evening news repeatedly showed white-gloved North and South Korean engineers at the pivotal western Seoul-Pyongyang line, cooperating shoulder to shoulder in a cold rain as they carefully power-bolted the tracks together at the MDL.

A ceremonial golden plaque commemorating the first step to Korean unification was laid on the center rail tie. A similar ceremony was held near the east coast. Only Korean nationals were permitted at the high-security event.

On both sides of the MDL, officials happily waved numerous large “unification flags,” showing simply a unified Korean peninsula in blue, on a field of white—the flag under which the two Koreas entered the 2000 Sydney Olympics, to the cheers of the world.

“This ceremony may have been not so widely publicized, and there remains a full consensus to be built in our government on just how fast to move forward with the North,” a South Korean official told *EIR* in Seoul on June 13. “But make no mistake. We are determined: These lines will go through!” He was speaking hours after Richard Perle, of Secretary of Defense Donald Rumsfeld’s Defense Policy Board, told a Washington audience that the United States “cannot exclude the kind of surgical strike we saw in 1981,” when Israel bombed Iraq’s Osirak nuclear facility—but this time a U.S. strike against North Korea. He went on, “We should always be prepared to go it alone, if necessary.” Perle’s unilateral threat was received in Seoul with general horror.

But the rail-linking ceremony “is a statement of our industrial vision and our national will in both South and North Korea,” said Kim Kyoung-Jung, Director of the Trans-Korean Transportation Division of the Ministry of Construction and Transportation (MOCT), in an *EIR* interview. Kim revealed that while some segments of North Korea’s rail line north of the ceremonial area are incomplete, such that trains cannot yet run, still both Koreas had decided make an early and firm statement of their intention, by completing and connecting the most sensitive segment at the heavily guarded MDL. “This shows our resolve to normalize our country and complete the entire line,” Kim said.

His ministry hopes to complete the western line by the end of August, and the eastern line by the end of this year.

“And when the first train runs, hopefully later this year, then you will see a celebration bigger than three World Cups,” Kim asserted, referring to Seoul’s soccer festivities which lit up the capital for a month of fireworks last Summer.

Seoul TV, in celebration, showed footage of the historic June 13-14, 2000 Pyongyang Summit of South Korean President Kim Dae-jung and North Korean Chairman Kim Jong-il, and highlights of the progress in normalized relations since that time.

‘For the Good of All the World’

“I want to stress that the connection of these two lines is not only in the deep interests of the people of both Koreas, but for the good of the people of the entire Eurasian Land-Bridge and indeed the world,” Kim of MOCT told *EIR* at the outset of the interview. “Our strong immediate intention is to not only connect the North-South rails, but to help connect, strengthen, and upgrade the entire route for the rails all along both the Trans-China Railway (TCR) and the Trans-Siberian Railway (TSR). Our ceremony June 14 will

create a focus of world attention not only on Korea, but for the entire Eurasian Land-Bridge project and the movement of people and goods across this big land-mass.”

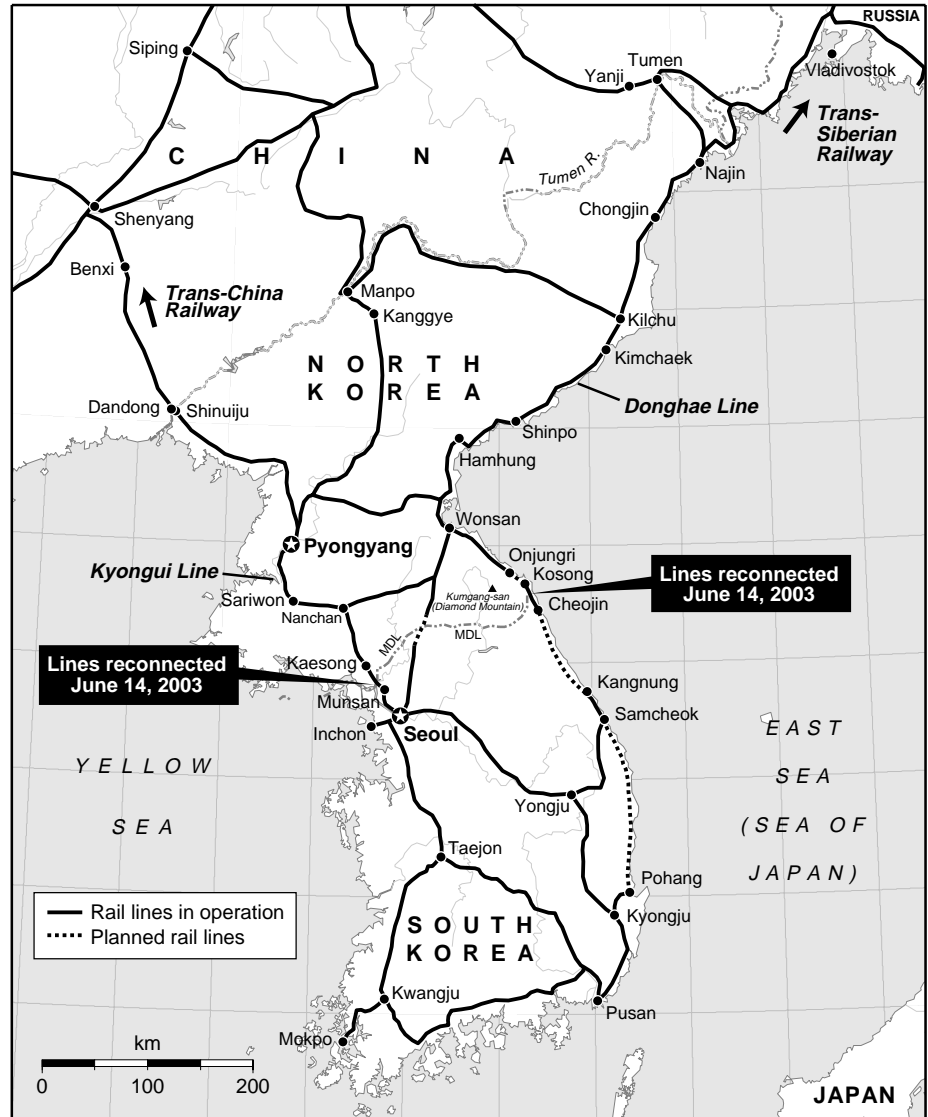
MOCT promotional brochures feature multi-color maps of the entire Land-Bridge project “from Pusan to Paris,” and all its many lines. “The day will come when the locomotive that has been asleep for 55 years will awaken to traverse this land,” one MOCT brochure says. “The severed history of the Korean people will be reconnected; a forgotten culture will be rekindled, and Koreans will once again travel the same path. . . .

“Once unfettered from the bounds of history, the Kyongui Line will go beyond simply inter-Korean economic cooperation. The Silk Road Railway will offer a new vision and new possibilities for the development of both Korea and all of Northeast Asia. The 21st-Century Silk Road linking Europe and Asia will link continents and greatly help to revolutionize global logistics. The Trans-Siberian Railway, which links Asia and Europe, as well as the Trans-China Railway, both can connect with the Trans-Korean Railway. This will become the world’s largest overland transportation route, bringing together the European and North East Asian markets.”

Russian response has been ecstatic. “This might become the major event of our lives,” said Vitaly Yefimov, head of the transport committee of the Russian Chamber of Commerce, run by former Prime Minister Yevgeny Primakov, previewing the TKR link-up, in the *Moscow Times* on June 10. “This is a unique project that can change our concept of business, if not in the whole world, then certainly in the Northern Hemisphere,” said Igor Pikan, general director of Moscow’s Business Systems Development.

MOCT maps also show the TKR and the TCR connecting to an elaborate rail network in Southeast Asia, via a new line projected to be built from Guangzhou in southern China, to Hanoi and all the rest of Southeast Asia.

Major Railway Network Map of South and North Korea



Source: Ministry of Construction and Transportation (MOCT), Seoul, Korea.

John Sigerson / EIRNS 2003

A Normal Commute?

Seoul newspapers are commenting that the whole process shows great progress in normalization. For the June 7-9 joint rail commission meetings in the Northern town of Kaesong, which finalized the June 14 events, South Korean officials were able to travel overland by bus through the DMZ every day from Seoul to Kaesong, and return home each night—a daily “commute” through what is ostensibly the world’s most dangerous 14 kilometers.

While the MOCT carefully avoids any mention of politics, many Seoul officials said clearly that the action at the MDL is meant to back up South Korean President Roh Moo-hyun’s June 10 statement in Tokyo, that he is determined “to

resolve the North Korea nuclear issue through dialogue and rule out the possibility of using force or other means that could destabilize regional security.”

“Removing barbed-wire fences and mines, the nation’s artery has been re-linked,” the South’s delegate, Cho Myong-kyun, said in the official statement. “This is truly unification and what a united nation would look like,” said Kim Byung Chul, the North’s chief delegate. “Through this railway will run the energetic blood of the nation, warm hospitality, and the history of co-prosperity.”

Also on June 14, the Koreans agreed to hold a seventh round of family reunions on June 27-July 2 at the North’s Diamond Mountain.

‘Line Number One’

Both Koreas’ top priority is the Western Kyongui (Capital Route) line, which connects Pyongyang and Seoul. “We are most eager to increase the flow of people, skills, technology, and cargo goods between the two capitals,” MOCT’s Kim told *EIR*. Officially dubbed “Line Number One” in Seoul, this was the ancient trade and administrative corridor throughout most of Korea’s 5,000-year history. When complete, the Kyongui Line will run from the southwestern, new container superport of Mokpo for 498 km through South Korea to the MDL, and from the MDL another 444 km to Shinuiju on the Chinese border, then on to the Trans-China Railway (TCR).

South Korea has completed the entire 12 km segment from Munsan just south of the DMZ (to which Kyongui Line trains already run regularly), to the MDL, ending in the beautiful new Dorasan Station. Just south of the MDL inside the DMZ, the new line passes the old Changdan Station, where a rusting locomotive and rails from the 1940s still lie, as shown repeatedly on TV.

MOCT estimates that North Korea has completed about 5 km of rail from the MDL running north, and that some 7 km remains to be completed to link the entire line to the Kaesong Industrial Complex just north of the DMZ.

In the East, the situation is complex, in that no construction is presently permitted on the planned direct route from Seoul to North Korea’s key east coast port of Wonsan. Rail-and road-bed construction is now focussed on the east coast, with North Korea eager to expand visits by Southern citizens to historic Diamond Mountain.¹

1. North Korea is working to connect the 18 km from Diamond Mountain and its train station Onjungri to the MDL at the coast, and South Korea is working to connect its coastal town of Cheojin by building rail 9 miles north of Cheojin to the MDL. Much of South Korea’s eastern coast is not yet serviced by rail, so the Trans-Korean plan has become an impetus for the South to build a whole series of new high-speed rail connections to the southeast superport of Pusan.

South Korea is also inaugurating a new high-speed TGV-style rail line from Seoul to Pusan in April 2004, which will create large new cargo capacity for container freight to transit the peninsula from Japan and the Pacific to Eurasia, and back again. While the Russian government is keen to develop the direct route from Wonsan to Seoul, they are also willing to take a small detour north of Seoul via Nanchan to Wonsan for the immediate future.

Italian ‘EU New Deal’ Plan Gains Momentum

by Claudio Celani

On the eve of the European Council meeting of ministers of the European Union on June 20-21 in Saloniki, Greece, the Italian government confirmed its intention to push through a “European New Deal” program of public investments in infrastructure. The Italian initiative reflects the growing influence of U.S. Presidential pre-candidate Lyndon LaRouche’s interventions in Italy and among its parliamentary leaders, since 1997, around his forecast of the current global economic collapse, his New Bretton Woods proposal, and his Eurasian Land-Bridge infrastructure strategy. The breakthrough grows out of a LaRouche’s 15-year fight, beginning with his European “Productive Triangle” in 1989-90, and found shape in the “Delors Plan,” proposed by then-European Commission President Jacques Delors.

Italy’s new plan is gaining momentum, against plans for “structural reforms”—which are, in fact, attempts to loot pensions and health insurance in order to bail out the financial bubble. In a draft circulated among its EU partners, describing the program for when Italy chairs the EU for the semester beginning July 1, Rome has put infrastructural investments among the top priorities on the agenda of the EU, which will include 25 states in 2004. Speaking before the Italian Senate Finance Committee June 18, Finance Minister Giulio Tremonti reported on his EU discussions on the “Action for European Growth” plan (the official name of the “New Deal” program). He said that, due to the international economic crisis, “only a strong relaunching of public investments can succeed in reversing the trend of the economic cycle. The Italian government is aware of the strategic nature, at this historical moment, of a strong increase of investments aiming to supply Europe—and Italy, of course—with a material and non-material infrastructure network, in order to relaunch competition and productive efficiency.”

Tremonti also responded to a joint initiative by the finance ministers of France, Germany, and Great Britain, who have published a paper calling for “structural reforms” privatizing pensions and health care, in response to increased public debt and deficits throughout Europe. These initiatives will fail, Tremonti said, if they are not associated to undertaking infrastructural investments.

Reflecting the two opposing policies, Italian Deputy Finance Minister (and International Monetary Fund “mole”) Vito Tanzi recently resigned in disagreement with Tremonti’s policies. Tanzi, a former IMF official, explained to the daily *La Repubblica*, that he could not push his ideas through, tell-

ing the interviewer, “I insisted, that a modern state must take responsibility to improve the market.” Instead, “I did not always find clear and unequivocal ideas in the government, although it is a center-right government. Often, we had conflicts on the issue of the market. . . . I would have liked a more liberal attitude, more concern for the market.”

Not unexpectedly, enemies of the Italian initiative have tried to torpedo it, with legitimate and illegitimate means. One of these was a smear attack against European Commission President Romano Prodi by the London *Financial Times*. Surprisingly, Prodi, a former Prime Minister and political rival of Prime Minister Silvio Berlusconi (he is supposed to run as opposition candidate in the next general elections), had supported the Italian government plan. The perspective of collaboration between the rotating Italian chairmanship of the European Council and the EC President—a former Italian Premier—gets the “New Deal” plan off to a good start, to be implemented. The *Financial Times* on June 15 alleged that Prodi had covered up an embezzlement scandal involving Eurostat, the central office of European statistics. The article, like an elephant’s fart, generated a lot of noise and made a big stink, but was soon gone with the wind. EU Commission spokesman Reijo Kempinen called the *Times* allegations “pure trash.”

Prodi branded the story “a journalistic accident,” in an interview with the Italian financial daily *Il Sole 24 Ore*; more importantly, he revealed that he and Tremonti “have been working since March to create a stronger European policy of intervention in Trans-European Networks: highways, railways, high-speed broadband communications, invisible infrastructures, such as research and development.” Prodi endorsed Tremonti’s idea of bypassing the budget restrictions in the Maastricht Treaty Stability Pact by establishing an Investment Facility at the European Investment Bank. “There is a common philosophy shared by the EU Commission and the Italian chairmanship, to start this new stimulation,” Prodi said.

The new European credit facility proposed by Rome can start pouring 70 billion euros in credits into infrastructure, each year, beginning some time in 2004. This has not yet moved with the urgency or on the scale required by the nature of the economic crisis, but it is a dramatic turn of economic policy in the direction indicated by Lyndon LaRouche. Recognizing this aspect, Domenico Siniscalco, Director General of the Italian Finance Ministry, said in Brussels June 12 that the impact of the Italian “New Deal” plan on the European economy “will depend on its dimensions and on the immediacy of its operation.” Siniscalco told *Corriere della Sera* June 14, “The economy is not performing and it is not enough to wait; we need orthodox supply policies, structural reforms, but also an investment policy to increase productivity. We respect the Stability Pact, but the European problem now is not to stabilize public budgets: The problem is to relaunch the economy.”

The volume of credit for infrastructure can be multiplied,

Siniscalco said. Describing the role of the “new European investment facility” which is supposed to finance infrastructure off-budget, Siniscalco explained that similar facilities at national level can be activated by EU members. Thus, the Italian Infrastrutture Spa (Ispa) “can play a role, together with the Caisse des Dépôts et des Consignations in France, or the KfW [Kreditanstalt für Wiederaufbau] in Germany, in partnership with the European Investment Bank. . . . There will be long-term loans (up to 35 years) with state guarantees, joint shareholder initiatives, private loans, and ad hoc corporate financing.”

Mediterranean Development Bank

Rome wants to apply the same method to promote investments in the Mediterranean region, especially joint ventures among small and medium-sized firms of various countries. Therefore, Italy will propose creating a Mediterranean Development Bank during its semester as chairman of the European Union. The bank, or “Euromed Fund,” was mentioned repeatedly by Italian government representatives during the “Euro-Mediterranean” Conference, organized by the Milan Chamber of Commerce on June 16-17, where much emphasis was placed on Italy’s role in re-focussing attention on development in the region. In particular, the goal is to increase investments and cooperation between small and medium-sized companies throughout the littoral, and thus—as Lombardy Gov. Roberto Formigoni put it—make Italy the link between the industrialized West and the East, through the Middle East and North Africa.

During his visit to Northern Italy in May, Lyndon LaRouche repeatedly encouraged the political and industrial figures with whom he met, to work to create new financing mechanisms for technology transfer towards the nations of this region. He was also the lead speaker at an event organized by Promos, the same agency which organized the Milan event for the Chamber of Commerce (see *EIR*, May 23).

Notably, the political climate at the “Euro-Mediterranean” conference was one of optimism that the Italian semester will be instrumental in making proposals to deal with the economic crisis, with attention focussed on trade and infrastructure, rather than on such losers as the “new economy” or “financial modernization.” This, despite the fact that some of the participants are generally identified as free-market liberals. There was high-level participation from the Italian business community and government (the Economics, Industry and Foreign Ministers), along with political and business representatives from Mediterranean countries such as Syria, Lebanon, Algeria, and Turkey.

During the round-table discussion, Bassil Pleihan, President of the Economics Commission of the Lebanese Parliament, put his finger on the key for getting such a financing mechanism to succeed. “A new bank is fine,” he said. “But there must be additional money, not just a shift in [responsibility for] the money which already exists under the European Investment Bank.”

‘We’re Talking About Big Projects’ in Mekong

His Excellency Roland Eng has been Cambodia’s Ambassador to the United States since 1999. From 1994-99, he served as Ambassador to Thailand, Malaysia, and Singapore. Educated in France, Ambassador Eng has been an official of the United Front for an Independent, Neutral, and Peaceful Cambodia (Funcinpec), the party founded by King Norodom Sihanouk, which is now part of a coalition government in Phnom Penh. Ambassador Eng played a leading role in the first-ever summit of the six members of the Greater Mekong Subregion (GMS)—Cambodia, Vietnam, Thailand, Laos, Myanmar and Yunnan Province, China—held in Phnom Penh in November 2002. He was interviewed for EIR by Gail and Michael Billington in Washington on June 10.

We also include, at his recommendation, excerpts from a presentation made recently by the Ambassador at a private meeting on Mekong development.

Ambassador Eng: As I emphasized in my presentation on the Mekong project, the [November 2002] meeting in Phnom Penh was a truly historic event. It was the first summit since the Mekong Subregion was created ten years earlier. It was historic also because it was held in Cambodia, a country that had surmounted the tragedy of genocide and decades of war—not only to host such an important summit, but to be a broker for peace in the GMS region, is quite an achievement.

We have achieved especially a code of conduct with China. This was a very important move for China. We had not only ASEAN+3 [the ten members of the Association of Southeast Asian Nations, plus China, Japan, and South Korea], but also ASEAN+India, and ASEAN+South Africa, on behalf of the Non-Aligned Movement. It was fascinating.

Cambodia itself was able to build an important diplomatic bridge during the summit. Chinese Premier Zhu Rongji presided over the signing of a \$12.5 million interest-free loan to Cambodia, and announced that Beijing would write off \$200 million in debts that Cambodia owed China.

The summit also saw the signing of a \$4.5 billion Southeast Asia-wide power grid, with China’s help, which is due to be completed by 2019, and would be the first-ever comprehensive power grid in the region’s history. China also committed more than \$2 billion to the Kunming-Bangkok Highway, and will certainly commit to the completion of the Kunming-Singapore railway line.

The good spirit of the GMS Summit without doubt sent a strong and positive signal to the whole ASEAN+3 summit

over the next days, resulting in the signing of the ASEAN-China Free Trade Area, to be implemented over the next decade—the largest trade agreement in the world, with a combined market of 1.7 billion people and more than \$2 trillion GDP.

Japan was a bit surprised, by the way the Chinese were very smooth. I believe that ASEAN could play a role in connecting the inherently rivaling economic powers of China and Japan.

EIR: The Schiller Institute co-sponsored a meeting in India in May, with people from India, China, Korea, and Russia, together with Mr. and Mrs. LaRouche, addressing both the post-Iraq War situation, and the question of the Eurasian Land-Bridge as essential to any solution to the global economic crisis.

Ambassador Eng: LaRouche has a long-term vision. There is no secret on that. I’m glad he points out that the infrastructure is so important. This is how Europe built up, you know? You look at Europe today—without the basic infrastructure, you wouldn’t have Europe as it is right now. You have connections between all places—rail, highway, air. You have to have the same here. You can’t leave it out of Laos, or anywhere. This is the key.

Look at Afghanistan. That’s why they are calling so loud for infrastructure. You need road access, or you can’t do anything. Your vegetables will cost twice as much, because of bumpy roads, and many checkpoints. But if you have a highway, you can’t have the local checkpoints, local bribes. That’s a major problem in developing countries. On the road between Phnom Penh and Sihanoukville, in 1991, the road wasn’t finished yet, so we had 72 checkpoints charging “local taxes”! But once we had the highway, built by the U.S.A., we have 1,000 cars a day, and no checkpoints.

EIR: The United States built that road? When?

Ambassador Eng: It was 1991.

EIR: That was before the United States decided it wasn’t going to finance infrastructure any more!

Ambassador Eng: Right—just before—it was one of the last things. But the result is there. Look at the legacy of all the roads that the United States built. In Thailand, for example, during the Vietnam War, they built roads to get up to the airbases; but it also meant that people in the middle of nowhere could sell their vegetables, and get to the town to get medicine, and so forth.

EIR: You said at the conference here in Washington that there was a powerful will among the ASEAN leaders to proceed with the Mekong project.

If you run into an economic breakdown, together with the change in the United States away from supporting infrastructure, and the general global financial crisis, do you believe there is still the internal will to proceed, through internal financing?

Ambassador Eng: You need people with vision, leadership with vision, who can see that it will pay back. This is not a waste. Look at the all the crises in the world. We are sending rice everywhere, grain. This is not just a natural disaster, but we are fighting against poverty. In the fight against poverty, have we won yet? Terrorism is tied to poverty, and drugs. The question right now is the fight against poverty, we have not won it; the fight against drugs, we have not won it. So, how can we win the war against terrorism?

To emphasize this infrastructure building—the ASEAN leaders can see that this is essential.

EIR: Such infrastructure is for several generations ahead, not just for tomorrow. Afghanistan is the negative example, where without the infrastructure, it has become again the leading drug producer in the world, despite the U.S. military occupation.

Ambassador Eng: We're talking big projects. And there is no more need for major physical studies. All the physical studies have been done over the past 30 years.

EIR: What is your reading on the environmental problems in the various projects?

Ambassador Eng: As to roads, it should be OK. If you talk about dams, this is another problem. [Cambodia] Prime Minister Hun Sen, at the GMS, in his speech, he emphasized the environmental impact. It was a very strong message to all the leaders. But at the same time, they must be realistic.

EIR: Do you think the environmental issues can be met, and still build the dams that are needed for water control, power, and so on?

Ambassador Eng: It depends on the sources, who is paying—this will play a big role. If the ADB [Asian Development Bank] guarantees the loan, it can say: "You cannot do this, because the environmental impact will be enormous."

We are confident that nowadays, we have something that 20 years ago we did not have—the impact of the NGOs [non-governmental organizations]. You cannot hide anything, because there are a lot of NGOs everywhere, like in the SARS [sudden acute respiratory syndrome] case in China.

EIR: But on the negative side, many of the NGOs are part of the anti-growth movement. Do you think they may actually undermine these developments in some ways?

Ambassador Eng: All will have to play a role. Any corpora-



Cambodian Ambassador to the United States Roland Eng with EIR's Gail Billington. Ambassador Eng played a leading role at the November 2002 Phnom Penh summit on development plans for the six-country Greater Mekong Subregion.

tion in the world, must take into consideration the return on the investment. If a major project will end up causing damage to the environment, damage the image—remember, with infrastructure, we are engaged in projects that will affect generations. The contract can be reviewed at any time. I'm pretty confident, that as with a banker, they will think twice to make sure it is done right. They cannot afford to ignore that. Corporations are spending a lot of resources, a lot of money, studying the environment.

I am confident that the environmental issues will be answered, and that the projects will proceed.

EIR: What is your reading on the issue of blowing out the channels in the river for navigation?

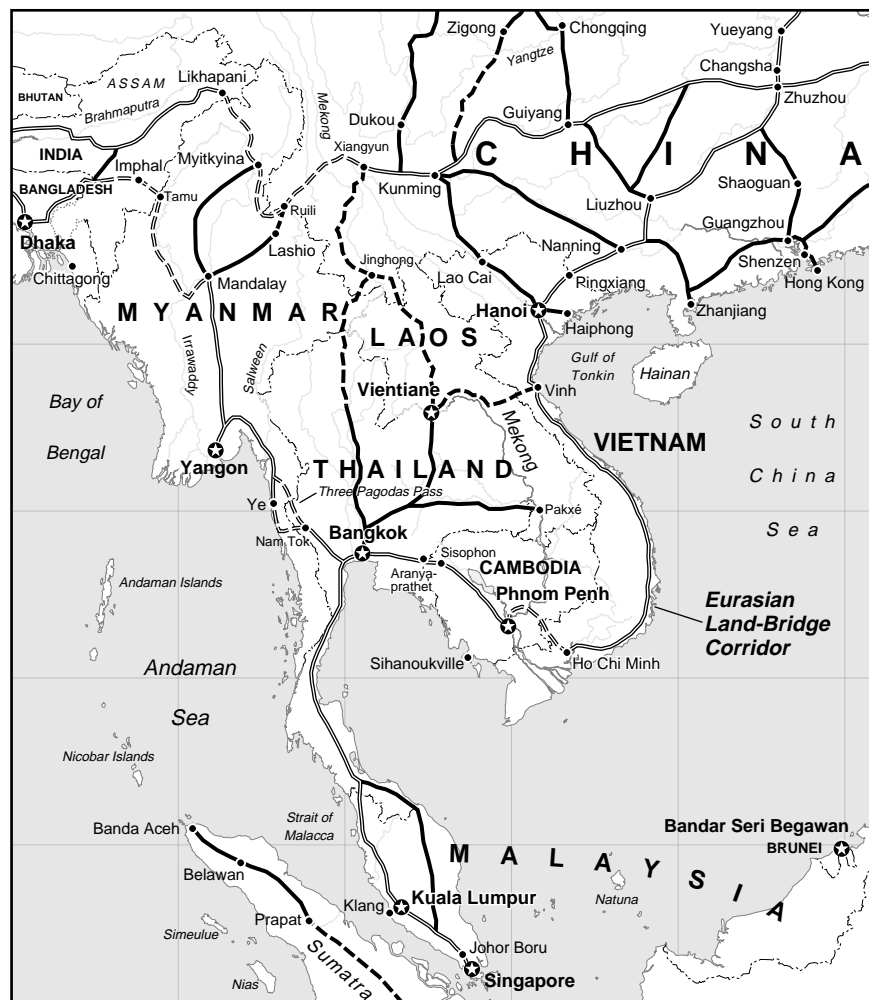
Ambassador Eng: From Thailand down, everybody is concerned about the three dams built in China. So far, we just have the assurance of the Chinese. This is a huge responsibility for the Chinese. If this hurts the water resources, or if the dam breaks someday, damaging six countries—can China afford that kind of responsibility? They must be so careful—it is a source of war. Everything is linked to water. It is a major source of conflict, and it will remain a source of conflict throughout the world.

EIR: There will be a meeting in July of the Mekong countries to review the clearing of the channel.

Ambassador Eng: They must have an enormous PR effort, to make sure people know exactly what is going on, to make it as transparent as possible. In the beginning the IMF [Inter-

FIGURE 1

Gaps To Be Filled In Southeast Asia Rail Grid



A railroad construction map of the Greater Mekong Subregion countries (which include China's Yunnan Province) shows the stretches to be constructed in the crucial north-south railroad from Kunming, China to Bangkok and into Malaysia; and the southern Eurasian Land-Bridges' gaps in Cambodia, Thailand, and Myanmar.

national Monetary Fund] was going to finance this, but they are saying now they will not. Now the Chinese are doing it themselves. They stand ready to take the heat, to take full responsibility, huge responsibility.

EIR: That's one of the reasons that some people in the United States and in the financial institutions don't like China—they refuse to follow the idea of post-industrial society, and are proceeding to act very much the way Franklin Roosevelt did in the 1930s and '40s, using these great projects to transform the country. Many people don't like this, and don't want to see it spread into Southeast Asia.

Ambassador Eng: It's too late. Once the three dams start up, we will see the impact. Southeast Asia is still suffering

from flooding; even Thailand, a country as developed as Thailand! It *may* help, but it may damage—we don't know yet. Put yourselves as a Chinese leader: "We're doing this with the taxpayers' money, affecting five other countries." So they must do it right. But we must also have emergency plans, and a second emergency plan, for a worst-case scenario.

EIR: Does Cambodia have hydro-power generation at this point?

Ambassador Eng: Yes. We have some dams, but we have an enormous potential, and all the studies have been done, across Southeast Asia. We don't need any more plans! We have located all the hydropower potential. It all depends on the finances—who will put in the money, for the long term.

EIR: The launching of the Asia Bond: Could this be a factor for this, creating funding for infrastructure?

Ambassador Eng: I was so pleased to see that the ADB, the American Chamber of Commerce, Singapore, and others are coming in. A lot of sources now are looking to diversify away from the dot.coms bubble. Thailand, Singapore had a lot of money in dot.com, and are now looking to come back to the basics. There is some private U.S. money involved in infrastructure, such as in Thailand, airports, even in some dams.

EIR: What about the special features of the Tonle Sap? Have these problems been adequately studied in regard to the dams to be constructed?

Ambassador Eng: I think so. I'm not an expert, but a lot of studies have been carried out, by government, private, NGOs, ESCAP [UN Economic and Social Commission for Asia and the Pacific]. There are already less and less fish in the Tonle Sap. The river is getting much more shallow now. In the dry season, the lake is shrinking. Also, shallow water is hot water, and many fish are dying. The Tonle Sap is one of the most fished lakes in the world. We had something like 8,000 varieties of fish. Now, the latest statistics show that there are far less.

EIR: How do you rectify that?

Ambassador Eng: You have to control the water, but also you have to dredge the mud out, to make the river less shallow.

That is beginning to happen now. The difference between the dry season and the wet season is 12 meters [in depth]! The Tonle Sap doubles its size.

In our culture, one of the main foods is fish. So you have, during the fishing period, all the ox carts, from all over Cambodia, from every single province of Cambodia—you can see all shapes of ox-cart, from every region, moving toward the Tonle Sap Lake, to fish. The whole area—millions of people come to fish, coming with empty jars, and returning with full jars of fish, and survive for one year. This provides the income for the life of the Cambodians.

EIR: Vietnam also built a dam, which impacted Cambodia.

Ambassador Eng: We challenged Vietnam as soon as they began building that dam, and they had to arrange for a visit by some NGOs. That's why I say that the good side of what's going on now, is that no one can ignore the NGOs.

EIR: How will the people of Cambodia respond when you begin these large-scale projects?

Ambassador Eng: Water, don't forget, everywhere in the world, is a source of conflict. If you don't deal with the people who will be impacted, there will be demonstrations and pressure. It's happening in Cambodia already. That's why the government had to show concern over the dam in Vietnam. It went ahead, but at the same time Vietnam had to explain. Any responsible government cannot play around with that. We want to give a better life to a few million people, but we must be careful.

EIR: What plans are on the books in Cambodia?

Ambassador Eng: I don't have the details, but mostly highways, and a dam with Thailand, as a joint project, in the Trat area. Thailand needs to supply the eastern seaboard, and we need to develop our west coast. The reservoir is in Cambodia, but the dam is in Thailand. It is being financed by loans from the ADB, Exim Bank, IMF, with guarantees from the two countries.

There is also work to build the missing link on the train line between Cambodia and Thailand. The track exists already, through Aranyaprathet and Batambang, but there is now a 28 kilometer missing link—it is nothing, just a matter of political will.

EIR: On June 14, the two Koreas are going to hold a celebration, laying the final track on both the eastern and western rail links between the North and the South, despite all the furor about the crisis there.

Ambassador Eng: You know, you need vision, like LaRouche. He is someone who has vision. In addition to vision, you have to put a realistic project into place. Then you have to put a group of people who are working seriously on that, to create a working group, and act aggressively.

Look at my idea about the "Mekong Airlines," in which every country would have a share. Each one, 10%; and then

we can have 30% for the private sector; and it will be run by the private sector. We don't get involved. This kind of idea is daring, but it will build cooperation, will build trust along the GMS region. Each one will have an equal share, and it will not be run by any specific country. It will be run by the private sector.

EIR: Do you still hope that will come to fruition?

Ambassador Eng: I still have hope. It will be a package tour with which no one can compete. The time you can fly from Bagan, to Siem Reap, to Danang to Hué to Sukothai, for example: How can you compete with that, for one vacation? You can offer six countries. But you must be able to offer e-tourism, e-passport, e-visa, and get new planes, if you are serious about a great tourism operation; and I was serious [as Tourism Minister]. If these countries had to promote this on their own, they couldn't do it—you need a lot of investment. But if you have a combined market, everyone would want to invest in it—guaranteed by six countries, and you had a 30% share?

EIR: As Gail has pointed out in her articles on the Mekong, the only reason this is possible, is because there is finally an end to the "Thirty Years' War" in Indochina. But you still have the problem in Myanmar.

Ambassador Eng: Engagement is not only politics. Engagement also requires economics, which is much more efficient. If you are part of a six-nation agreement, what you do affects five others. You cannot, one night, just decide: "I'm going to close my airport, I'm going to close my township"—come on, you'll have six ministers calling you, asking, "What are you doing here?"

EIR: India is now establishing better ties with Myanmar, just as Thailand and China are also, which can undercut the problems in the region and internally.

Ambassador Eng: We don't have a choice, as in North Korea. Russia has changed, China has changed—everybody has changed. The rules of communism have changed. Take the SARS case. If that had happened 20 years ago, no one would have had a clue what was going on. Now, a small community in China has a global impact, WHO [World Health Organization] people will fly in, and so forth.

EIR: How do you deal with the anti-Chinese sentiment among some in the United States, who argue that the Chinese should be kept out of Cambodia?

Ambassador Eng: You cannot keep them out. There are two kinds of investment. There is the investment that favors speculation, and you have the kind that favors real economy investment. You must have an investment law which doesn't favor speculation. You cannot blame the Chinese! Cambodia is very underdeveloped. We must promote a form of investment that is more protectionist, which says, "We welcome you, but it has to be a majority Cambodian share," or some-

thing like that. We cannot sell everything. If you are promoting relations that do not conform to that, don't blame the Chinese.

EIR: Is that a problem now?

Ambassador Eng: There is great competition. If we get strong enough, I hope that we can absorb the Chinese, as they do in Thailand, where they even adopt Thai names, and now many of the Thai companies are Chinese, Thai-Chinese. It's like we cannot say that we don't want any Jewish business! We have to absorb them, and make them feel proud on their own, to be part of the society.

EIR: How would Cambodia react if the United States tried to open a military base in Thailand, as was reported today?

Ambassador Eng: Cambodia has always been neutral, in the sense that we don't allow any foreign military bases, from anyone—not the Chinese, not the Americans, whatever. During the Vietnam War, and before the Vietnam War, we wanted to be the Switzerland of Southeast Asia. Because of the past, with Thailand allied to the United States—we can see the United States shifting its military now, remapping its positions, moving to Australia, the Philippines, Singapore, Thailand. As long as it will not affect the security of the whole region, as long as it will not affect the spirit of cooperation, and peaceful behavior is established, then it will be all right.

EIR: I think it's a "slippery slope." Did you read my article on "The Chicken-Hawks as China-Hawks" (*EIR*, May 23)?

Ambassador Eng: Yes. That's a good one! I agree. That's literally the danger. It's the question: "Are you with us, or are you with China?" One day, you will realize, that, if you wish to have the Southeast Asians—if you ask us to choose between the United States and China—you'll be surprised!

On the one hand, the U.S. presence in Asia creates stability—I agree with that. But at the same time, there is the question of how to shape the world's security? You can't go around destabilizing all over the world. How do you *make* stability?

EIR: We are doing a project on the extensive control over the U.S. media by the neo-conservatives.

Ambassador Eng: You want to learn about propaganda—when I was in the jungle, during the war, I was dealing with psychological warfare. I learned a lot about psychological warfare—but I learned *so much* in the year 2003!

In the end, because of you [LaRouche] guys, there is, right now, a pressure for transparency, not only in the United States, but everywhere, to get at the truth. I thought that if the war started six months ago, it would have gone more easily. Then it was all "Saddam, Saddam." But then they had to use this weapons of mass destruction line, and then they had to *prove* it!

EIR: This is coming in the midst of an economic collapse of

the dollar-based system.

Ambassador Eng: I am very pessimistic about the economy. Some of my colleagues are optimistic, but I think with the U.S. dollar falling, and with SARS—every Asian economy right now, despite being the most dynamic region in the world, is getting hit. The Japanese economy doesn't take off; only China survives. We are entering deflation, with the dollar falling. If the deflation lasts for a few more months, we are in for a serious crisis. In the short term it may *appear* to favor the U.S. economy, because the dollar is low, and that will help exports, but not in the long term.

EIR: What is your sense about whether or not the United States will really get involved in the Mekong project?

Ambassador Eng: Only a few people have seen the implications of this. There is a fascinating development taking place, but in the United States, few have noticed. It is a matter of marketing right now. There are a few places—Malaysia, Inc., and so forth—and they will call on a few corporate guarantees, and a few banks, and OPEC [Organization of Petroleum Exporting Countries] may guarantee some investment; then it will lead to something. But for the corporations now, everybody goes to China.

But the United States is not involved in infrastructure. The trend is in trade, in retail. There are not many countries going into infrastructure, except China—not even the EU [European Union], because the EU are so angry about Iraq. Not much is pushing in this direction, except LaRouche.

EIR: Will the Mekong project help to produce that shift?

Ambassador Eng: I believe so, in the medium term. It will probably be in ports, and in highways. That may bring the United States in. It will come as a complementary aspect for the United States to see the potential. It's a growth investment—it will pay off in the long run. You cannot estimate the buying power of the Chinese, of the Cambodians, the Burmese, in the next ten years. In the past year, Chinese tourism became number one in Thailand. It will become number one in Malaysia, in Singapore, in Cambodia. So you have a potential buying power. When I tried to sell the idea of the Mekong Airlines, it was not for nothing, because the airline industry will be the main promoter of the tourist industry; the rest will come. One million tourists go to Angkor Wat; you have to feed them. How many eggs do you need? How many chickens, and so on? The same thing with Luang Prabang [in Laos]—how will you feed them? You need transportation, and then they will come, but you must have an economy.

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Mekong Cooperation Project Comes of Age

by Gail G. Billington

Over 50 years ago, the Mekong River, one of the world's largest, was selected as the top "international river" by United Nations reconstruction officials, for post-World War II infrastructure development. The Mekong is the greatest single natural resource for millions of people in the six countries along its flow through Southeast Asia, arising in the high Tibetan Plateau, and emptying into the South China Sea. From hydro-power, to rice output, to navigation, and beauty itself, the resources of the Mekong Basin are spectacular. The engineering challenge it presents, is dealing with such features as the monsoonal rainfall pattern (80-90% of the precipitation comes from May through September); cascades higher than Niagara Falls; and such unique features as the Tonle Sap—a great lake, which expands and contracts as its intake flow from the Mekong reverses direction!

But great economic infrastructure development of the Mekong Basin has been thwarted—above all, by war. On three separate occasions since World War II, when peace seemed close at hand—upon the signing of the 1954 Geneva Accords, in the 1970s at the end of the Vietnam War, and again in 1990—plans for harnessing the Mekong River were put forward to foster regional stability and cooperation. But no concerted backing came forth.

In particular, there was the idea in the 1960s in the United States, for the "Mekong Project" to be pursued *as the alternative to what became the Vietnam War*, and later as the exit path, or "4th Solution" to end that conflict.

But as of 2000—the 25th anniversary of the American troops leaving Saigon—the plans have all been written and reviewed; what remains to be done is the completion of the physical-economic infrastructure.

Now, all that is changing. Southeast Asia's great river and the countries along its banks are receiving unprecedented attention, in Asia, and recently, in Washington and Europe. On Nov. 3, 2002, the first-ever summit meeting of heads of state and government of the Greater Mekong Subregion (GMS) countries—Vietnam, Cambodia, Laos, Thailand, Myanmar, and China's Yunnan province—was held in Phnom Penh, Cambodia, chaired by Cambodian Prime Minister Hun Sen, whose country holds the rotating chairmanship of the ten-member Association of Southeast Asian Nations.

In April 2003, a unique off-the-record conference was

held in Washington on the GMS. In Bangkok, June 12-13, Thailand's *The Nation* newspaper hosted an international conference oriented to the international business investment community on the GMS, along with NGO and civil society groups. Some 500 delegates were expected, while conference organizers anticipated nearly 1,200 visitors would attend some part of the conference.

The week of June 16-20, the GMS countries will join their fellow members of the Association of Southeast Asian Nations, ASEAN, for their annual ministerial meetings in Phnom Penh, including 23 "dialogue partners" in the security-oriented Asean Regional Forum, and the now annual "ASEAN+3" bilateral talks with South Korea, China and Japan.

Rounding out this dense schedule is yet another conference on the Greater Mekong Subregion in Washington on June 26, hosted by *Foreign Policy* magazine.

Once and Future Alternative to War

The attention is long overdue, but thoroughly appropriate, especially at a time when the world is grappling with the most serious global political crisis since the Indochina Wars and the rapid unraveling of what is left of the post-1971 Bretton Woods financial system.

The story of Mekong cooperation is that of an attempt to pursue great infrastructure projects in a time of war, in order to find an alternative to war. In the 1960s and 1970s that intention was overwhelmed by war, as the colonial wars in former French Indochina mutated into a subset of the Cold War in Asia. The GMS countries suffered their own Thirty Years' War, but are today eagerly seeking to make up for that interlude in hell. Today the nations that were swallowed up by those wars are forging the institutional relations and cooperation necessary to realize the creation of a just, new political and economic order.

This is the exact perspective backed by *EIR's* founding editor, Lyndon H. LaRouche, Jr., over four decades. In the late 1960s, he intervened in the U.S. anti-Vietnam War movement, around the necessity for the "Mekong Project," and for restoring the economic development as the basis for U.S. foreign policy. In 1976, LaRouche issued a proposal on the occasion of the Non-Aligned Movement summit in Colombo, Sri Lanka, calling for the creation of a new International Development Bank to fund precisely the kind of great infrastructure projects required to rebuild what at that time was already, clearly, a broken system.

In 1975, the Vietnam War officially ended, but in Cambodia, which now chairs ASEAN, hell was just beginning under the Khmer Rouge, and lasted for the next 3 years, 8 months, and 28 days, until Jan. 7, 1979, when now-Prime Minister Hun Sen was supported by Vietnam in a counteroffensive against the Khmer Rouge.

During July and August 1983, LaRouche went to Thailand, India, and Japan for talks on the necessity of regional

FIGURE 2

Topographical Map of Eurasia, with Some Main Development Corridors

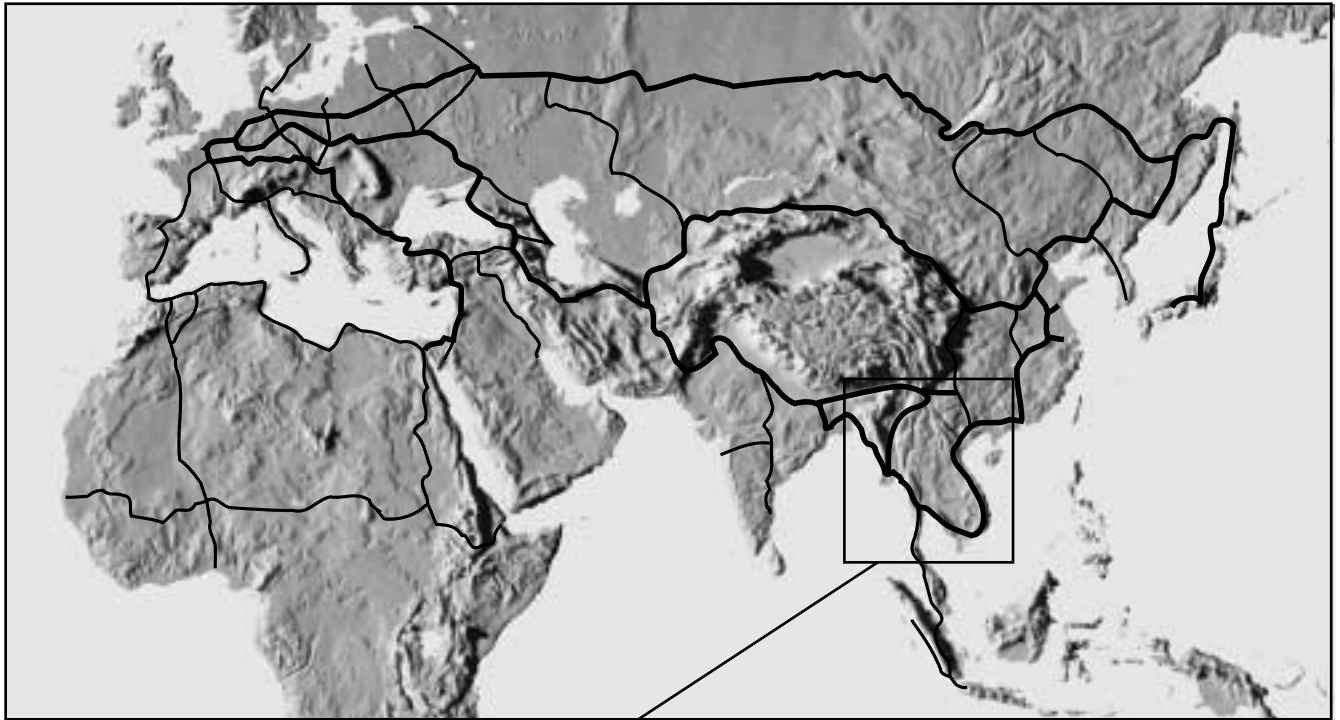


Figure 1 is a relief map of Eurasia, with priority “Land-Bridge” routes shown, indicating important development corridors to link nations all across the intercontinental expanse. There are key links to Southeast Asia for modern rail routes, both around the peninsular coastline, and importantly, across the highlands near Kunming, China.

The map at left shows in more detail, a principal physical geographic feature of the Southeast Asian peninsula—the Mekong River Basin. The Mekong is over 4,000 kilometers long, ranking 16th in length, and is also among the top 10 in volume of discharge, among the world’s rivers.

Along its course, the Mekong drains a total catchment area of 795,000 square kilometers—well over twice the land area of Japan. In its lower region, an area of over 609,000 square kilometers, its drainage basin comprises almost the whole of Laos and Cambodia, one-third of Thailand, and one-fifth of Vietnam.



infrastructure development projects. At the same time, an *EIR* Policy Research Study by LaRouche was released, titled, *A Fifty-Year Development Policy for the Indian-Pacific Oceans' Basin*, in which one of the “Principal Projects” described, was “Developing the Mekong River Basin.”

Over this same time period, Japanese interests campaigned for Mekong River development as part of a list of world priority projects, proposed for financing by a new agency, to be called the Global Infrastructure Fund.

The River and Its History

The Mekong River has for centuries linked southern China and Southeast Asia in their efforts to use and control it. Author Milton Osborne in his book *The Mekong, Turbulent Past, Uncertain Future*,¹ reported that archaeological evidence reveals the existence of a seaport at Oc Eo on the edge of the Mekong Delta in the 1st Century A.D., which had links both to China and to the Mediterranean. From the 2nd-6th Centuries A.D., Chinese records spoke of “Funan,” a state established in the Mekong Delta region, which is believed to have consisted of a number of minor states, rather than a single entity. In the 3rd century B.C., Chinese built a bridge across the Mekong in western Yunnan province. Between the 6th-9th

Centuries, Chinese records no longer speak of Funan, but of “Chenla,” a state in two parts, one in what is today Cambodia, the other in southern Laos at Wat Phu. The civilization that built Angkor Wat reigned from the 9th-15th Centuries.

In the 19th Century, both England and France believed the Mekong was the back-door route to the riches of China, but the attempt to reach that pot of gold and other riches cost many adventurers their lives.

Author Nguyen Thi Dieu complemented Osborne’s report in his excellent book, *The Mekong River and the Struggle for Indochina: Water, War and Peace*,² pointing out: “For thousands of years—beginning as early as circa 3500 B.C.E.—the peoples of the lower Mekong basin have founded their societies on rice cultivation, particularly on the cultivation of irrigated rice.”

The *Me Kong* or “Mother of Rivers,” is the seventh-longest river in Asia, and is said to run variously 4,800 or 4,350 kilometers (2,600 miles) according to historians; 2,395 kilometers flow through the lower basin. Average annual discharge is 475,000 million cubic meters. It was not until the current decade that the location of the river’s headwaters in Tibet were exactly determined by Chinese geographer Liu Shao Chang, using remote sensing technology. Its course runs through waterfalls larger than Niagara Falls, through thousands of rocky rapids, cascades, and islands.

Its minimum flow of 1,700 cubic meters per second puts the Mekong in third place, in terms of volume, after the Yangtze and the Ganges Brahmaputra, and is the third largest watershed in the world after the Amazon and Congo.

The Mekong flows from the Tibetan plateau, southward through the Chinese provinces of Xinjiang and Yunnan—where it is known by its Chinese name, the *Lancang*—and enters its lower basin as it forms a border between Myanmar, Thailand, and Laos. The lower Mekong basin begins near the Myanmar town of Chiang Saen, and has a drainage area of 620,000 square kilometers.

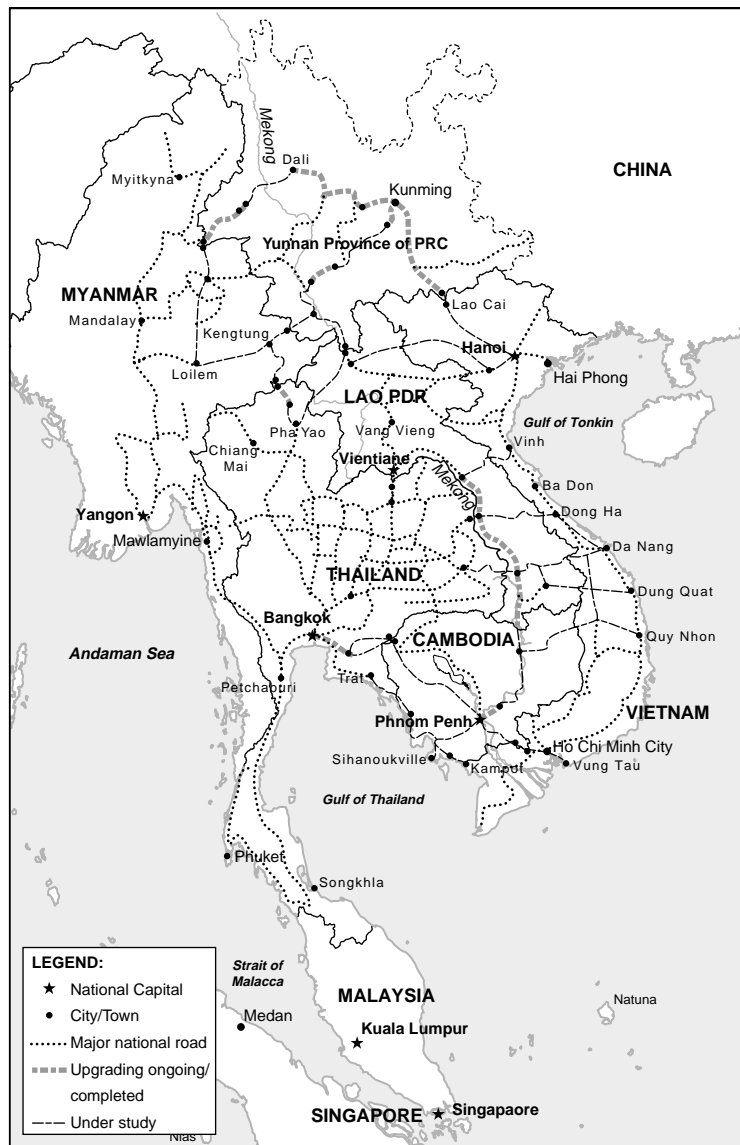
The Greater Mekong Subregion (GMS) covers an area of 2.3 million square kilometers and is home to 250-300 million people. The population in the lower Mekong alone—Laos, Thailand, Cambodia, Vietnam—is about 163 million. In Cambodia and Laos, more than half of the population are under age 15. Nearly 40% in Cambodia, Laos, and Vietnam live below the poverty line; 16% are reported below the poverty line in Thailand.

A unique phenomenon of the Mekong is Tonle Sap, or “Great Lake,” of Cambodia. The Mekong, (called Tonle Thom in Cambodia), traverses the country for 480 kilometers, entering a plain that transversally has the shape of a basin, at the bottom of which is the Tonle Sap. During the dry season (November-June) the Tonle Sap, with a surface of 2,700 square kilometers, flows southeast into the Mekong. In the wet season (June-October), monsoon rains cause the river to

1. Milton Osborne, *The Mekong, Turbulent Past, Uncertain Future*; New York: Atlantic Monthly Press, 2000.

2. Nguyen Thi Dieu, *The Mekong River and the Struggle for Indochina, Water, War and Peace*; Westport, Conn.: Praeger, 1999.

FIGURE 3
Greater Mekong Subregion Rail Projects



Source: Asian Development Bank

The most important of the railroad corridors now being funded by China and ASEAN is the Kunming-to-Bangkok railroad originating in China and running down the coast of Indo-China and to Bangkok, then southward through Malaysia.

reverse its course. It rises slowly and regularly to pour its overflow northward into the lake, which then expands almost five-fold, covering an area of 10,000 square kilometers.

The Mekong River Commission has shown that the water flow in the dry months is reduced to 2,000 cubic meters of flowing water per second, less than 5% of the monsoon months' flows rate of 50,000 cubic meters per second. During the monsoon season, the Tonle Sap can absorb 19% of the water volume of the Mekong River. As the Mekong reaches

the lowland plains of the delta in Vietnam, the Mekong breaks into nine separate streams, known as the Song Cuu Long, or "Nine Dragons River."

The First International River Project

Mekong cooperation began with the formal signing of the 1954 Geneva accords, when Cambodia, Laos, and Vietnam gained independence from France. Studies of the Mekong were first conducted by the UN's Economic Commission for Asia and the Far East (ECAFE), founded in 1947, and by the U.S. Bureau of Reclamation.

ECAFE, headquartered in Bangkok, was one of three commissions set up through the UN Economic and Social Council (Ecosoc) in March 1947, to address post-war reconstruction, very much in line with Franklin Roosevelt's commitment to eradicate colonialism in the post-World War II world. Economic Commissions were set up for Europe, Latin America, and the Far East.

Author Nguyen Thi Dieu wrote, "The creation of an Asian commission, equal in rank to the one for Europe, was greeted with dismay by European delegates, who had no desire to contribute to the emancipation of their colonies."

On Sept. 2, 1945, the Democratic Republic of Vietnam (D.R.V.), under the leadership of Ho Chi Minh, declared its independence. In 1947, the D.R.V. applied for membership in ECAFE, but was rejected, jointly, by the United States, Britain, Australia, and France, who chose, instead, to support the membership of the State of Vietnam (S.O.V.), led by the Emperor Bao Dai. At the second ECAFE meeting in 1947, Laos and Cambodia were admitted, and the State of Vietnam was admitted in October 1949. In 1954, Laos, Cambodia, and S.O.V. became full ECAFE members.

At ECAFE's 7th meeting in Lahore, Pakistan in 1951, the decision was taken for the first time to take on development of an international river. The candidates were the Yangtze, the Indus, or the Mekong. The Yangtze and the Indus were ruled out for political reasons, as Mao Zedong had come to power in China and tensions were running high between India and Pakistan.

In May, 1952, ECAFE's study was published, "Preliminary Report on Technical Problems Relating to Flood Control and Water Resources Development of the Mekong—an International River."

Author Dieu reports that it was "under the Eisenhower Administration that, for the first time, at the highest levels, the Mekong River and its development were discussed and its use viewed from a political and strategic perspective. The National Security Council, formulating the key elements of U.S. policy in mainland Southeast Asia in its report *NSC*

5612/1 of Sept. 5, 1956, stipulated: 'In order to promote increased cooperation in the area and to deny the general area of the Mekong River Basin to Communist influence or domination, assist as feasible in the development of the Mekong River Basin as a nucleus for regional cooperation and mutual aid.'” A Presidential report to Congress in June 1955 had signaled the Eisenhower Administration’s hopes of reproducing a Tennessee Valley Authority on the Mekong.

This was only two months after the historic April 1955 Asia-Africa Conference in Bandung, Indonesia, the first meeting of Third World nations to discuss among themselves, without their former colonial masters present, the necessary course of action required to foster peace and development.

Eisenhower, despite howls of protest from London and from the Dulles brothers in his own Cabinet, endorsed the Spirit of Bandung. His call for the development of the Mekong reflected the policy later expressed by John F. Kennedy—that the only way to counter communist insurgency was to demonstrate through real physical development the superiority of republican institutions.

The Mekong Committee began its work in 1957. It was the first international body to take on responsibility for financing, construction, management, and maintenance of projects on an international river, involving multiple countries. Members were Vietnam, Thailand, Cambodia, and Laos. China was not a member, as it was not a UN member at the time, and Burma was in the throes of its independence struggle.

‘Let Us Build a Bridge’

Mid-June saw new momentum for the Mekong Basin project reflected in two important conferences: “The Mekong Region Comes of Age,” a business-oriented meeting held in Bangkok on June 12-13; and the ASEAN Foreign Ministers Conference held in Phnom Penh on June 17.

At the Bangkok Conference:

- Chen Xiaoya, Assistant Governor of China’s Yunnan Province, stole the show, according to reports, with her powerful presentation in Mandarin, in which she declared: “Greater contributions will be made by Yunnan province to making the Mekong Region the new frontier of growth in Asia, in the face of new opportunities for GMS [Greater Mekong Subregion] economic development in the new century.” Pointing to the region’s 250-300 million people, she added: “This region will become a continental bridge between Southeast Asia, South Asia and East Asia, and a hotspot for international investment from countries around the world in the 21st Century.”

Recalling the first-ever summit of GMS member states in November 2002 in Phnom Penh, Chen said: “Our enthusiasm and our optimism about progress and prosperity in the Mekong region are great. This conference offers an opportunity for us to share with all of you the reasons why we are bullish on the Mekong.” The conference, she said, presented a rare opportunity for dialogue on the shared future for the Mekong nations. “Our nations and peoples share the vision of regional peace, growth and prosperity. Thus our perspectives on the future must be focussed on this common, intertwined objective and interest. We can only realize our common objectives by deepening solidarity and cooperation between our nations.”

- Thailand’s Deputy Prime Minister Somkid Jatu-

sripitak announced that Prime Minister Thaksin Shinawatra intends to invite leaders of the six member states of the Greater Mekong Subregion to a summit on GMS strategic coordination. Minister Somkid said he would lead an official delegation to Yunnan Province on June 15 to propose a “GMS architecture and a road map. . . . Only this way can we realize the maximum potential of the GMS.”

- Khalid Rahman, director of the infrastructure division of the Asian Development Bank’s Mekong department, indicated how the Greater Mekong Subregion corridors would play a strategic role in linking Southeast Asia with South and East Asia. “A new subregional economic cooperation scheme involving India, Myanmar, and Thailand has already been initiated, which could provide a natural westward extension of the Greater Mekong Subregion corridors,” he said.

At the ASEAN Conference:

- Japanese Foreign Minister Yoriko Kawaguchi said that Japan has already “supported two flagship projects in the ambitious Mekong Subregion development,” pointing to Japan’s role in building roads and bridges along the two East-West Corridors. She then announced that Japan will build another bridge across the Mekong on the Second East-West Highway at Neak Loeng (60 km. from Phnom Penh), adding: “Today, I saw the Mekong River for the first time. . . . The Mekong crosses borders, brings fresh water, rich soil, and possibilities for progress to its people, and eventually flows into the bright sea.

“When faced by a river, we feel compelled to cross it and build a bridge to the other side of the river, no matter how wide the gulf of water may appear. Let us build a bridge between the past, the present, and the future. Let us build a bridge between each of us. Let us build a bridge to fill the economic gaps, based on our ownership and partnership. . . . I am convinced that the future generation will hear the lively sounds of our bridge-building as tolling the dawn of our success story.”

FIGURE 4



The economic development corridors of the Greater Mekong Subregion. As Japan's Foreign Minister told ASEAN this week, roads, rails, and bridges are being constructed across the two main East-West corridors. The Kunming-to-Bangkok railroad line is the major project of the main North-South corridor.

The 'Fourth Solution' for Peace in Vietnam

The episodic voicing of a Mekong-development-for-peace plan through the Administrations of Lyndon B. Johnson, was a tragedy of the defeat, by war, of a war-avoidance economic strategy half-heartedly pursued; the cost was many hundreds of thousands of lives, and continued widespread

poverty.

In 1961, President John F. Kennedy sent Vice President Lyndon Johnson on a study mission to Asia. Prior to his departure, Arthur Goldschmidt, Director of Special Fund Activities and Assistant Secretary of the Interior, brought to Johnson's attention the Mekong Project's "ability . . . to train representatives of four countries, with differing political views, to work effectively together even in a period otherwise characterized by a lot of fussing." In Bangkok, Johnson was fully briefed on the initiative, and came away from the visit saying that "he could think of nothing that could help Thailand, Laos, Cambodia and Vietnam more than by working together on a river since, if they could work together on a river, they could work together on anything else."

Johnson told a fellow Texan and Mekong-UN worker that he was himself "a river man. All my life I have been interested in rivers and their development." Upon his return to the United States, Johnson briefed Kennedy on the Mekong project, urging that the United States take up the initiative, and U.S. support continued at the March 1964 ECAFE meeting in Tehran. By early 1965, the Mekong Project had been funded to the tune of \$67 million, and UN Secretary General U Thant declared on a CBS radio broadcast that the project "was one of the most important and one of the most significant actions ever undertaken by the United Nations."

By 1965, however, President Johnson's senior advisors, William and McGeorge Bundy, Robert McNamara, and Assistant Secretary of Defense McNaughton were demanding an expanded U.S. military presence in the Vietnam civil war. McGeorge Bundy and Robert McNamara wrote an "explosive" memo in January, stating the current policy would "lead only to disastrous defeat." UN Secretary General U Thant, with the knowledge of

Priority Mekong Projects

In 1996, the Asian Development Bank (ADB), based in Manila, released an overview report of the priority infrastructure projects agreed to by the Greater Mekong Subregion countries, in eight areas: transport (road, rail, air, and water), energy, telecommunications, environment, human resource development, tourism, trade facilitation, and investment. Sector studies, completed under ADB technical assistance programs, included recommendations regarding nearly 100 subregional projects and initiatives in these priority areas.

It should be readily apparent from the included maps that the 1996 plans were actually a giant step down from those conceived in earlier decades. Water control projects, which could prevent massive damage from periodic flooding, were most absent. Nuclear power had been ruled out,

and in general, the vision was limited by the idea that half of the projects would have to be financed by private means—a virtually impossible condition if there is to be extensive modernization of major infrastructure.

However, the recent explosion in interest and political will may jumpstart the project and again overcome the limits on development.

Currently, the priority projects for the next decade are projected to cost \$14 billion. Since the scheme was created in 1992, the ADB has spent only \$1 billion on them over the last ten years. In the longer term, the ADB projects that \$40 billion will be required over the next 25 years.

In the transport sector, studies identified 34 priority subregional projects, as follows: Nine relate to roads, eight to rail lines, ten to water transport, six to air transport, and one to institutional development. In the energy sector, 12 priority subregional projects have been targeted, of which eight relate to power generation and transmission, two to hydrocarbon development, and two to institution building.

Dean Rusk and McNamara, attempted to open channels to North Vietnam and the South Vietnamese insurgents, to find a peaceful solution.

The Mekong Project became what was known as the “fourth solution,” for exiting the war. In December 1964, the Executive Secretary of the Northwest Power Association, Gus Norwood, had urged Johnson “to consider the Mekong River Basin development as the strategic solution or as a key to the ultimate solution to the impasse in Southeast Asia.” Gilbert F. White, author of the Ford Foundation report on the socio-economic aspects of the Lower Mekong Basin development, mentioned in an article published in December 1964, the multiple advantages of such a solution: “If the UN were to designate this area for international development, there is a strong possibility that peace could be achieved in a common pursuit of agricultural and industrial growth. . . . The lower Mekong River may be the key to a fourth course of action, a more constructive and humane one than any of the others.”

In March 1965 Sen. George McGovern wrote in *The Progressive* proposing “cooperative planning to benefit North and South Vietnam from the Mekong River development,” which for the North, “could mean hydroelectric power for industry.”

On April 7, 1965, President Johnson read a speech titled “Project for Peace in Southeast Asia” at Johns Hopkins University in Baltimore, which author Dieu said “embodied the two conflicting facets of U.S. policy in the region.” Johnson said: “For, what do the people of North Vietnam want? They want what their neighbors also desire—food for their hungers, health for their bodies . . . and they would find all these things far more readily in peaceful association with others than in

the endless course of battle . . . For our part, I will ask the Congress to join in a billion dollar American investment in this effort as soon as it is under way. And I would hope that all other industrialized countries, including the Soviet Union, will join in this effort to replace despair with hope, and terror with progress. . . . The vast Mekong River can provide food and water and power on a scale to dwarf even our TVA.”

Some 60 million Americans heard the speech via radio or TV, and more than 1 million copies of the speech, translated into Vietnamese, were dropped over cities in North and South Vietnam.

It is the tragic irony of the Johnson Presidency, that he delivered this speech five weeks *after* launching the U.S. air campaign, code named “Rolling Thunder”; and barely 24 hours after the speech, he ordered the deployment of two U.S. Marine battalions, the first combat troops, into South Vietnam. North Vietnam responded by declaring the action a breach of the 1954 Geneva Agreements.

On March 31, 1968, Johnson revisited the Mekong Project, on the occasion of his announcement of a partial halt to the bombing and his decision not to seek re-election. Johnson said: “At Johns Hopkins University, about three years ago, I announced that the United States would take part in the great work of developing Southeast Asia, including the Mekong Valley, for all the people of that region, as part of our determination to help build a better land . . . for men on both sides of the present conflict . . . has not diminished in the least. . . . So, I repeat on behalf of the United States again tonight what I said at Johns Hopkins, that North Vietnam could take its place in this common effort just as soon as peace comes.” Subsequently, during a stop in Honolulu in April 1968, Johnson

FIGURE 5

Proposed 'Mekong Cascade' System of Dams and Reservoirs



These eight proposed dam locations were part of the integrated system of impoundments for regulating the lower 2,000 kilometers of Mekong flow, according to many studies, beginning with ECAFE in the 1950s, to the 1989 Mekong Secretariat. The Pa Mong proposal (3) has been withdrawn, because of concerns for relocating people, and downstream flow effects.

stated: "We wish to see Asia—like Europe—take an increasing responsibility for shaping its own destiny. And we intend and we mean to help it do so."

Taming the Mighty Mekong

The first dam project was signed for in May 1966 between Laos and Thailand, the Nam Ngum, built on a small tributary of the Mekong. Thailand purchased the electricity generated. Next came Pa Mong, the first mainstream dam, beginning with studies in June 1965; but this was subsequently put on hold with claims that 200,000 people would have to be relocated, and concerns about the downstream impact of the dam.

The first major undertaking with regard to dam building came in 1971, when the Mekong Committee issued its Indicative Basin Plan, 1970-2000. The plan estimated that by 2000, energy demand in the lower Mekong basin would reach 22.772 gigawatts in peak capacity; the irrigated area essential for agricultural production was estimated at 1,868,000 hect-

ares, involving flood control, and saltwater intrusion evaluation. The plan proposed 16 mainstream dams, a delta development project, and 180 tributary projects in the four member countries: Laos, Thailand, Cambodia, Vietnam. It also analyzed their cumulative and reciprocal impact over a 30-year period.

The projects were divided into two groups: a short range group to be built between 1971-1980, including single and multipurpose tributary projects focusing on hydro-power, flood control, and pioneering agricultural stations that each nation could implement independently from the others and which should not have any detrimental effect on the mainstream.

The second group involved a number of projects that, because of the large scale of their construction and possible far-ranging repercussions, were to be implemented over a longer period, 1981-2000, with costs estimated in the billions of dollars. It included 15 mainstream multipurpose projects and one flood-control project on the Tonle Sap.

In addition to these 16 mainstream projects that could be attempted in different combinations, the central one included a cascade of seven mainstream dams, the Mekong Cascade (Figure 5). There was also a subset of ten minor hydro-power projects in the Vietnamese central highlands to provide Cambodia and Vietnam with power, targeted for the years 1980-85. The plan emphasized the priority of Pa Mong, Stung Treng, Sambor, and the delta.

Wars of Mass Destruction

The Indochina War continued officially until Spring of 1975, but the after-effects linger to the present. Cambodia, the Lao People's Democratic Republic, and Vietnam emerged from their respective wars with economies that not only remained

unchanged since colonial days, but what little infrastructure had existed was damaged or destroyed by saturation bombing, the laying of millions of landmines, and the effects, more than a generation later, of massive use of herbicides to clear the tropical rain forest.

An estimated 500,000 Cambodians were killed in the U.S. bombings that preceded the Khmer Rouge victory in 1975. The bombings themselves contributed to rapid recruitment to the Khmer Rouge, swelling its ranks from 3,000 to 50-60,000 by 1975. There is still no final tally on the bomb tonnage dropped on Cambodia, but author William Shawcross, in *Sideshow*, reported that "in 1971, a single B-52 squadron still dropped in one year half the tonnage dropped by U.S. planes in the entire Pacific Theater in World War II."³ When the Khmer Rouge were finally driven out of

3. William Shawcross, *Sideshow: Kissinger, Nixon and the Destruction of Cambodia*; New York: Simon & Schuster, 1979, p. 211.

Phnom Penh (in less than three weeks) in January 1979, an estimated 10 million landmines were left behind, roughly one per person, much of them in the richest rice-growing province of Batambang.

In Laos, during 1965-75, an estimated 2-3 million tons of ordnance were dropped on a population of 3 million, equal to one planeload of bombs dropped every eight minutes for nine years.⁴ In Vietnam, the combination of bombings and landmines contributed to the deaths of an estimated 1 million soldiers and 2 million citizens, with 300,000 missing in action. Herbicide spraying, estimated at 20 million gallons, killed or injured 400,000 directly and is believed to have contributed to severe deformities in another half-million children born to North Vietnamese soldiers who fought in the South.

Cambodia dropped out of ECAFE around 1970, and was nearly destroyed as a nation at the hands of the Khmer Rouge from April 1975 to January 1979, with an estimated 1-2 million killed, roughly one-fifth of the population, largely from starvation and disease.

Mekong Commission Launched

Given those wars' destructiveness, it is notable that in today's revived push to develop the Greater Mekong infrastructure projects, Vietnam, as well as China through Yunnan Province, is leading the way. In particular, Vietnam's hydroelectric power construction program to modernize its economy, is virtually the only such rapid electric power development going on in Southeast Asia.

In 1977, Lao P.D.R., Vietnam and Thailand formed the Interim Mekong Committee. Cambodia reclaimed its membership in 1991, and in 1992 the Manila-based Asian Development Bank launched the Greater Mekong Subregion, which includes Laos, Thailand, Cambodia, Vietnam, Myanmar, and Yunnan Province, China.

In 1995, Laos, Thailand, Cambodia and Vietnam signed the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin, with the Mekong Committee becoming the Mekong River Commission (MRC). In the 1980s, under growing environmental pressures, the focus shifted to "sustainability," with a diminishing focus on "big dams."

One of the most ambitious projects on the Mekong, conducted by China, involves a three-phase clearing of a navigation channel in the Upper Mekong. Phase 1 includes blasting a channel that will allow 150-ton ships to ply between Yunnan and the town of Chiang Saen, Thailand. Phase 2 would facilitate 300-ton ships, and phase 3, 500-ton vessels.

In the first phase, 11 reefs would be cleared, 9 in Laos, 1 near the Yunnan/Myanmar border, and the Khon Phi Luang rapids in Thailand's Chiang Saen and Chiang Khong districts. Phase 2 would open the whole 360 kilometer (224 mile) stretch to Laos' Luang Prabang, to 500-ton ships.

4. Ibid.

Yunnan Province and Myanmar are not signators to the 1995 Mekong River Commission accord, and are not subject to its rules on such matters as notifying MRC member states on projects. However, reflecting the increasing cooperation among the Mekong countries, as of June 4, 2003, blasting has been delayed on the Khon Phi Luang channel, pending a meeting scheduled for July 2003 with Yunnan, Myanmar, Laos and Thailand. This meeting will re-examine the environmental impact of the channel-clearing downstream, which includes concerns of potential shifts in national borders between Laos and Thailand, and broader issues related to the dependence of 50 million people who live off the bounty of the river. Reefs in this stretch of the upper Mekong are up to 2 kilometers long and are breeding grounds for migratory fish, which account for 70-80% of protein in the regional diet.

Since the 1995 accord, further agreements have been signed covering Procedures for Data and Information Sharing and Exchange, a Flood Management and Mitigation Strategy, and Exchange of Hydrological and Other Data with China.

The original Mekong Committee had begun setting up 31 hydrological and meteorological testing stations in 1957. Today there are 531 stations measuring rainfall and 253 hydrological stations measuring water levels, flow and quality along the Mekong. The Hydrological yearbook has been published every year since 1964, and posts the data daily via Internet.

Vietnam's contribution, noted above, is a crash rural electrification program Vietnam has an ambitious plan to build nine power plants during 2003, with aid from Japan's Official Development Assistance fund covering 86% of the plants' \$440 million construction cost, with the balance covered by Vietnamese loans.

In total, Vietnam will invest in 28 power plants to increase capacity by 9,600 megawatts. The new plants will include 28 hydro-power plants with total capacity of 4,000 MW, and ten thermal power plants, with total capacity of 5,600 MW. Electricity of Vietnam (EVN) plans to invest \$665 million in Ho Chi Minh City's electric grid, to increase capacity from 25.5 to 64.6 kilowatt-hours per day per capita, over seven years. In March-June 2003, the city suffered from extreme temperatures, with power consumption rising 20%, resulting in 110 power outages. Ho Chi Minh City (formerly Saigon) accounts for 25% of national power consumption.

EVN plans investment of \$140 million in Coo Long in the Mekong Delta, to upgrade power access to 1,100 rural communes. Demand is expected to rise 13% annually to 2010. Longer term energy development includes construction of two gas-fired thermal plants by 2005, one in O Mon District of Can Tho province, and another in Ca Mau Province. Funding comes from a combination of the World Bank, Asian Development Bank, and the Japanese Bank for International Co-operation.

Business Briefs

International Finance

Asian Central Banks Prop Up Dollar, for Now

How long will Asian central banks hold up the U.S. dollar? This is the question raised by the Singapore *Business Times*, commenting on the July 12 report by the U.S. Federal Reserve, which documented that it now holds \$936 billion of marketable securities “in custody for foreign official and international accounts.” This refers to U.S. securities owned by foreign central banks but stored at the Federal Reserve. Most of these securities, \$749 billion, are U.S. Treasuries. But on top of this, foreign central banks own \$187 billion in agency debt, that is, bonds of the Federally chartered mortgage lenders Fannie Mae and Freddie Mac (see *EIR*, June 20, 2003). An estimated 80-90% of the \$936 billion assets are owned by Asian central banks, in particular the Bank of Japan and the Bank of China.

The *Business Times* notes: “A handful of foreign central banks, mostly Asian, are amassing a huge stake in the U.S. economy, not out of any belief that America is an attractive investment but rather as a desperate attempt to shield their countries’ exports. Data out last week showed the Federal Reserve now holds a record \$936 billion for these, mostly Asian, central banks equivalent to almost 10% of the entire annual output of the U.S. economy. The bulk of this is held in Treasuries giving these banks over 20% of the market for government debt.” The holdings of U.S. assets by foreign central banks “have risen around \$163 billion in just the last year, with the Bank of Japan buying a record \$34 billion in May alone.”

The main reason for the Japanese and Chinese central banks buying U.S. assets was to keep down their own currencies, according to the *Business Times*. And there is no easy exit for these central banks, because by liquidating dollar assets, they would themselves suffer heavy losses. And “pulling the plug on the U.S.” would aggravate economic problems in the United States, thereby hurting Asian exports.

On the other hand, “just blithely assum-

ing they will never run for the exit is a risky business in such a volatile world.”

Manufacturing

U.S. Needs Federal Technology ‘Offensive’

The United States must mount a “national offensive” to build a manufacturing technology “infrastructure”—Federally funded—“that would unleash America’s ability to build its future,” urged Association for Manufacturing Technology (AMT) Chairman Lawrence Rhoades on June 5, in testimony to the House Science Committee. Warning that manufacturing operations define the standard of living for the nation, he noted that U.S. machine-tool consumption has plunged 63% from 1997-2002. Although touted as the world’s “strongest” economy, the United States ranks fifth in its investment in manufacturing equipment, he said.

Just purchasing more capital equipment is not enough, he cautioned. The nation “must find new methods, new approaches, new technologies” for manufacturing. “The U.S. is in need of a coordinated national program,” large enough to develop a “manufacturing technology ‘infrastructure,’ ” as a “rational and appropriate” response to the massive loss of both manufacturing jobs, exports, and Federal tax revenue.

On the other hand, cutting taxes to encourage investment “does not directly respond to what’s happening.”

Rhoades emphasized that “the private sector cannot, and will not build the needed manufacturing technology infrastructure alone—any more than they could or would build a road system or a school system.”

He called for centering new investment on the usually smaller companies that act as the “technology providers” to the U.S. industrial base. These firms accelerate the transformation of “new science” into “new tools” for America’s factory floors.

Such a manufacturing technology “infrastructure,” he concluded, “would unleash America’s ability to build its future.”

IMF

Heavy Pressure Put on Argentina’s Government

The International Monetary Fund (IMF) is putting big pressure on Argentina’s new government of President Néstor Kirchner to negotiate a long-term agreement, with conditionalities the government is in no position to impose, the daily *Clarín* reported on June 12. Finance Minister Roberto Lavagna has said that the government wants to extend the existing short-term IMF agreement, which expires on Aug. 31, to the end of the year, to reschedule \$6.6 billion due during that period, before beginning negotiations on a longer-term agreement.

But both the IMF and the U.S. Treasury Department have made clear that this is not acceptable—they want a long-term agreement, immediate implementation of “structural reforms,” and resumed debt payments. The “reform” agenda includes restructuring of the foreign private debt, raising utility rates, restructuring the banking sector, and increasing the primary budget surplus, as Brazil’s President Lula da Silva has done, to guarantee debt payment. From the current 2.5% of GDP, the Fund wants the primary surplus increased to 3.5% of GDP next year, and to 4.5% in 2005—which could only be imposed, were state sector wages to be slashed and taxes increased, in a country where 60% of the population is now poor. All of these are politically impossible to implement, and thus the attempt to lobby for a short-term agreement. Kirchner has already announced that utility rates won’t be increased for 90 days, which has greatly displeased the IMF.

IMF Managing Director Horst Köhler was scheduled to travel to Buenos Aires June 23-24, to try to twist arms, and demand that Kirchner provide evidence of a “sustainable” economic program. When U.S. Secretary of State Colin Powell visited Kirchner on June 10, his deputy Curtis Strubble annoyed the Finance Ministry with undiplomatic remarks that “Argentina needs a credible program.” U.S. Treasury Undersecretary John Taylor said, “There is

THE BANK OF JAPAN announced on June 11 that it will, for the first time, purchase corporate asset-backed securities, including those with “junk” rating, to increase liquidity. Previously, the central bank bought less-risky government bonds. The BOJ plans to buy from private banks up to 1 trillion yen (\$8.5 billion) of securities backed by loans or receivables of small companies.

THIRTY ASIAN countries met in Abu Dhabi, United Arab Emirates early in June to discuss measures to combat desertification. The UN estimates that \$42 billion in income and 6 million hectares of productive land are being lost annually to desertification, land degradation, and declining agricultural productivity, and 135 million people who depend primarily on the land for their livelihood are at risk of being displaced.

SOUTH AFRICA’S unemployed will be given work with state programs to build dams, roads, and railways, according to an agreement reached by government, labor, and business on June 7. Other projects planned are the construction of schools, clinics, harbors, and renovation and maintenance of public buildings.

GOV. RICK PERRY of Texas is proposing construction of a large-scale ocean desalination plant, to be located near Brownsville. Perry said such desalination is inevitable as a solution to the state’s water shortages. He declared that \$1 billion, out of the projected \$2.2 billion in the Private Activity Bond program already enacted for the next five years, would fund the plant and other needed water projects.

THAILAND AND INDIA will sign a free trade agreement in July, starting with a list of 87 products that will be subject to tariff cuts, mostly from the agricultural and industrial sectors. The Thai Trade Negotiations Department said that the value of both countries’ trade reached only \$28 million last year.

still time to negotiate a long-term agreement. . . . I hope that happens.” Lavagna had his spokesman issue a statement saying he agreed with Taylor, but adding that the possibility of a long-term agreement would “naturally” depend on what conditionalities the Fund demanded.

Great Britain

Government Tries To Avert Pension Panic

The British government has enacted emergency measures “To Calm £100 Billion Pension Panic,” wrote the *Times* in a banner headline on June 12. As “millions of workers worried about their dwindling pensions,” the government announced “unprecedented emergency measures to shore up confidence in company schemes. A ‘lifeboat’ fund will be set up to rescue final-salary occupational pensions in firms that go bust.”

As a consequence of the recent three years’ stock market crash, the pension schemes of top British corporations have been devastated. The pensions “black hole” among the companies on FTSE-100 stock index officially amounted to £65 billion at the end of last year, and for all British corporations totals about £100 billion. This means that in recent bankruptcies, such as the Welsh steel company ASW, the pension schemes could just cover the pensions of those workers who had already retired, while those who are about to retire often lose their entire pension and also have no chance of finding a new job.

The government will now oblige the corporations to pay into the new “lifeboat” fund, which will be activated for corporations that go bankrupt. Corporate pension fund managers immediately came out claiming that this emergency measure will make matters much worse, because it puts additional financial pressure on the companies, and “would sound alarm bells” with credit-rating agencies already concerned at the size of pension deficits in British compa-

nies. Downgradings by the rating agencies would lead to further stock losses, thereby aggravating the pension crisis, ballooning the deficit to £300 billion.

Equity Markets

Singapore Economist Warns of Hyperinflation

Singapore economist Lim Say Boon warned, in the *Straits Times* on June 16, that the United States is on a hyperinflationary binge, threatening the entire world economy. Lim is the head of research at Overseas Chinese Bank Corp. (OCBC) Securities in Singapore, and has warned before of the New Economy bubble. He refers to the current “Rubbish Rally” in the equity markets, warning that investors should “consider the suspect nature of the drivers behind this recent market surge. The bottom line is that the United States authorities are putting at risk the global system of ‘fiat money’ by flooding their economy with cheap money and by arm-twisting other major economies to do the same. . . . If they fail, confidence is likely to plummet globally as the ‘Emperor’ would have been seen walking around stark naked.”

At best, he writes, such a policy will create “another asset bubble or two,” since the real economy is still declining. The “solution” of tax cuts and negative interest rates to sustain the housing bubble makes people “wonder why the U.S. government would ‘commit suicide’ by dramatically weakening its people’s spending power.” The answer, he thinks, is that Washington wants to force Europe and Japan to also hyperinflate, transferring the pain abroad—but it won’t work, since it will only create “more pain from the bursting of an even larger asset bubble down the line.” Money supply measures, M1, M2 and M3 have surged since March, he says, and “aggressive printing of money usually results in hyperinflation. So while we are still talking about deflation, the U.S. may already be sowing the seeds for hyperinflation.”

Asia Can Be the Motor of Economic Recovery for Europe

by Jonathan Tennenbaum

This study is reprinted from the Special Report of EIR Nachrichtenagentur, The Lautenbach Plan and Eurasian Development: Measures To Overcome Mass Unemployment, published in German in May 2003.

Introduction

The sustained, rapid growth of China and some other Asian countries, has been one of the few pieces of actual good news in the world economy over the last two years. Not only has China, with its population of nearly 1.3 billion people, maintained a 7-8% growth rate in spite of a global economic downturn, but China is “preprogramming” that growth far into the future, by a policy of productive credit-generation and the channeling hundreds of billions of dollars of new investment every year into large-scale infrastructure projects throughout the country (see “China’s New Deal Is the Engine of Asia’s Growth,” *EIR*, April 25).

China’s industrialization has made it the world’s largest single market for machine tools and other industrial equipment, with machine-tool orders to Germany jumping upward by over 50% in the single year 2002! The Chinese boom is spreading to much of Southeast Asia, which is emerging from the crisis of 1997-98 into a new period of rapid development. Meanwhile, India, with over 1 billion population, the second giant of Asia, maintains a steady growth—somewhat slower, but no less ambitious than its Chinese neighbor.

This suggests a question of greatest importance to the future of Europe and the world as a whole: Could the economic development process, now occurring in China and its neighbors in Southeast and Southern Asia—together accounting for over half the world’s population—offset the effects of the profound economic crisis gripping most of the rest of the world? Could Asia’s growth prevent a full-scale “Great Depression” from taking hold of the global economy, and provide a way



Construction of a new railway bridge on the Eurasian Land-Bridge rail line from Lianyungang on China's East Coast. China's extremely rapid international construction and industrial growth will not take jobs from European nations; once-poor nations like Japan and South Korea, the more industrialized they became, continually increased their per-capita imports from European countries. The key is to restore an international system of long-term, low-interest trade credits and fixed currency values.

out for Germany and other export-oriented nations in Europe?

Our answer, developed here, is a resounding “Yes!” We shall document the gigantic growth potential of Asia, unprecedented in history, and show how this can be harnessed to revive the industrial economies of Europe, securing a sustained period of prosperity and full employment for the coming several decades.

This alternative to a threatened depression will not come about spontaneously, however. To actually realize the needed “locomotive” potential of Asian development for Europe, requires *urgent changes in economic and financial policies*. Above all, it is necessary to go beyond the purely “market-oriented” thinking that has dominated company strategies and government policies more and more over the last 20 years, to establish a long-term “Eurasian Development Plan.” By “plan,” we do not mean something out of the museum of the socialist command economy, but rather, an ongoing process of deliberation and coordinated action among relevant European and Asian governments, with participation of private industry and banking, around the policies we shall present here.

This means going back, in many ways, to the kinds of economic thinking and methods, which predominated in the postwar period of reconstruction of Western Europe, and the 1950s-to-mid-1970s period of technology-sharing with developing nations. Exemplary is the role of the German Kreditanstalt für Wiederaufbau (KfW), both in the postwar reconstruction of West Germany, and above all, in financing a boom of German exports to developing countries in the 1960s and 1970s.

In the latter context, the KfW functioned as a combined *export-credit facility* and *development bank*, supporting major infrastructure, agricultural, and industrial projects in developing countries around the world. Working closely with the German government and industry on the basis of a well-

considered, long-term strategy, the KfW both actively promoted real economic growth in partner nations of the developing sector, and at the same time established long-term markets for German investment in goods-exporting industries in those countries.

During the same period, Italy and other European countries, as well as the United States itself, had developed parallel approaches to a development partnership with nations of the Third World. For reasons we shall briefly summarize below, this development partnership was essentially aborted, from the late 1970s on—with devastating long-term consequences for both the developing countries, and the industrial countries. But now, with the outbreak of full-scale financial and economic crisis in the United States, Europe, and most other parts of the world, the unique prospect for recovery through an Asian-centered development boom gives rise to a qualitatively new situation.

The time is now becoming ripe, to *revive* methods and approaches which have proven their effectiveness in the past, while adding some *essential new features*.

How To Launch Recovery

A key instrument for unleashing a Euro-Asian economic boom, is the creation of an integrated network of transcontinental “development corridors” running North-South and East-West across the Eurasian land mass, and involving large-scale projects for modern energy, transport, water, and other basic economic infrastructure. The effects of such comprehensive development of infrastructure, will be: 1) to greatly accelerate the internal economic growth of Asia’s developing countries, as measured in rates of increase of per-capita consumption; 2) to “bring Asia closer to Europe” in effect, by drastically reducing the time and relative cost of transport across Eurasia, through the creation of high-speed, high-efficiency transport corridors; 3) thereby to expand the volume

of exports of investment goods from Europe to the Asian countries, at rates of 15-20% or more *yearly* throughout the coming two decades.

This policy, developed by Lyndon LaRouche and his collaborators and discussed all over the world, has become known as the “Eurasian Land-Bridge” (see EIR Special Report, *The Eurasian Land-Bridge: Locomotive for Worldwide Economic Development*, January 1997). As was documented in a 35-page report in *EIR* for Nov. 2, 2001, and in a conference report in *EIR*, April 11, 2003, the Land-Bridge is not at all a “paper dream,” but has already begun to be implemented in many places, including construction and modernization of crucial rail links in the future Eurasian transport system.

What we need now, to launch a full-scale economic “take-off,” is for some core group of nations to initiate a corresponding shift in economic, financial, and credit policy, in the following directions. Firstly, we require, in each of the participating nations of Europe and Asia, a revival of the methods of productive credit-generation (so-called “Hamiltonian national banking”) and large-scale state-supported infrastructure investment, exemplified historically by Franklin Roosevelt’s 1930s anti-Depression policy in the United States, and proposed at the same time, but not implemented, as the Lautenbach Plan in Weimar Germany (see *EIR*, April 18, 2003). China has been using exactly the same methods to finance its unprecedented economic expansion (see “China’s New Deal,” *EIR*, April 25, 2003), providing a new example of the policy’s success for the world today.

Secondly, we require new institutional arrangements among the nations, to provide long-term, low-interest loans for joint development projects, technology-transfer, and preferred categories of trade. Here, the 1960s-1970s role of the Kreditanstalt für Wiederaufbau provides a useful reference point, as do other features of the monetary, credit, and trade arrangements that permitted the postwar reconstruction of France, Western Germany, and other European nations, as well as significant development in many Third World nations, after World War II. However, this time, the rates of government-supported investment, trade, and technology-transfer, to be realized between Europe and Asia, will rapidly reach a scale orders of magnitude beyond such historical precedents as the Marshall Plan or New Deal.

In many cases, the new credit and trade arrangements will be preceded by measures of financial reorganization, including the “freezing” or writing-off of large quantities of unpayable debt, and restructuring of bankrupt financial institutions.

The policy directions indicated here are all essentially contained in Lyndon LaRouche’s proposal for a “New Bretton Woods” reform of the world financial system. It is not necessary to wait, however, for an initiative from the United States or a full international consensus of states, in order to set the required Euro-Asian economic boom into motion. On the contrary, it will be enough for a core group of European and Asian nations—such as France, Germany, Russia, China,

India—to take the initiative. As the process develops, more and more nations will join it. In many ways, the recent, extraordinary emergence of a *political* coalition among exactly those nations, around the attempt to stop a war in Iraq, sets the stage for launching a joint *economic initiative* of the type we have described.

The conditions are indeed ripe, for the coming together of a set of “cooperation triangles” that have already established themselves across Eurasia: the new French-German-Russian triangle; the “strategic triangle” of Russia-China-India; and the Northeast Asian triangle of China, Korea, and Japan.

In the following, we shall first examine the *potential* of the Asian market as a motor for a sustained economic recovery in Europe: from an overall standpoint, and then as exemplified by several specific areas. Then, we demonstrate the *feasibility* of a Eurasian development boom, including the crucial problem of how to finance the necessary volume of trade and investment, and the political preconditions.

The Growth Potential of the Asian Market

The potential for a sustained economic recovery in the European Union rests largely on the possibility of greatly expanding Europe’s exports of modern investment goods to developing sector countries. Not only is the industrial locomotive of the EU—namely, Germany—an entirely export-dependent economy, but exports play an increasingly central role for the EU as a whole. Europe is predestined, for historical and cultural reasons, to function as a “fountain” of modern technology for a world economy, whose chief characteristic is the urgent need to raise the living standard and productivity of the majority of the human population living in the so-called Third World.

Let us take a closer look at the case of Germany, which will be the main reference-point for a European economic recovery. At present, Germany is the number-one exporter of capital goods in the world. Germany’s total exports (including both consumer and capital goods) amounted to 648 billion euro in 2002, which corresponds to 33% of the German GDP. In that year, Germany exported goods in a value of 7,893 euros per capita of the German population. Every fourth job in German industry depends *directly* on exports, and the vast majority are *indirectly* export-dependent. Over 50% of the monetary value of Germany’s exports consists of investment and producer goods, with emphasis on industrial machinery and equipment (**Table 1**). This is especially true for trade with nations such as China; here, machines and industrial equipment make up over 54% of China’s imports from Germany, while other categories of investment and producer goods make up an additional 21%.

Generally speaking, the situation of Germany’s export

TABLE 1

Germany's Exports by Product Groups

(Billions Deutschemarks)

Commodity	1995	1996	1997	1998
Food and Livestock	30.3	33.3	35.4	37.8
Liquor and Tobacco	5.0	5.5	5.5	5.9
Raw Materials (Except Food and Fuels)	14.3	13.3	15.6	15.3
Minerals, Fuels, Lubricants	7.2	10.0	10.4	9.9
Animal/Vegetable Oils, Fats, Waxes	2.2	1.9	2.3	2.8
Chemical Products	99.5	103	119	125
Processed Goods	123	121	138	146
Machine Tools, Electronics, Autos	367	389	446	496
Various Finished Products	74	79	87.4	95.3
Commercial Processing	27.5	32.9	30.0	20.9
All Products	750	789	887	955

Source: EIRNA.

industry depends directly on the level of industrial and infrastructural investment in the world economy. At present, the bulk of German exports go to the so-called industrial nations: first and foremost to the EU countries (55%); Eastern Europe (11%); and the U.S.A. (10%) (Figure 1). But it is the developing countries, especially the Asian ones, which constitute by far the biggest *potential for expansion* over the coming decades. Simple arithmetic shows, in fact, that a sustained economic development boom in Asia as a whole, of the sort that has already begun in China, would totally transform the economic situation in Germany and Europe as a whole.

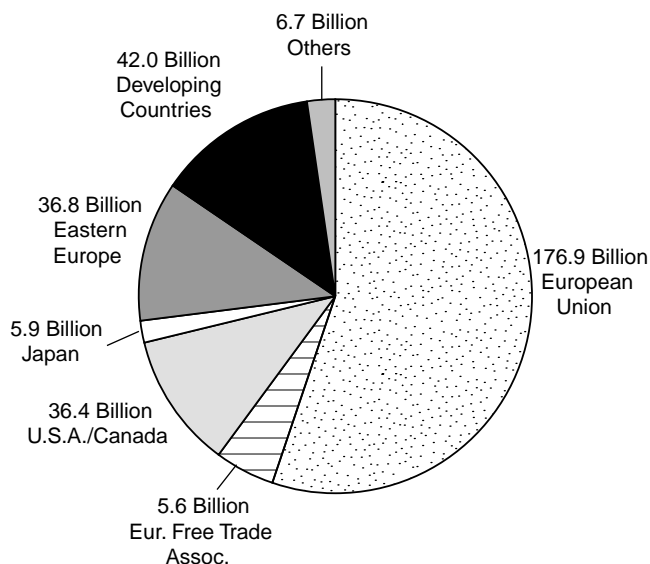
What Is Asia?

Let us briefly remind ourselves of the gigantic dimensions of the Asian market: First, we have the booming economy of *China*, with nearly *1.3 billion people*, plus *China's* huge, but thinly populated northern neighbor *Mongolia*. Second, *India* with over *1 billion population*, and its *South Asian* neighbors *Pakistan*, *Bangladesh*, *Nepal*, and *Sri Lanka*, constituting another *300 million people*. Third, four groups of nations, making up altogether almost 1 billion people: the "*Island Giants*" *Indonesia* and *Philippines*, with *295.4 million population*; the *East Asian* group of *North and South Korea*, and *Japan*, with *194.3 million people*; *Southeast Asia*, including *Vietnam*, *Cambodia*, *Laos*, *Thailand*, *Malaysia*, *Singapore*, *Myanmar*, with *227.9 million population*; and *South-Central Asia*, including *Turkey*, *Iran*, *Iraq*, *Afghanistan*, with nearly *180 mil-*

FIGURE 1

German Exports by Country Group, First Half 2002

(Total Exports 318.3 Billion Euros)



Source: EIRNA.

lion people. Next, the vast and natural resources-rich, but relatively thinly populated *Central Asian* countries of *Kazakhstan*, *Turkmenistan*, *Uzbekistan*, *Tajikistan*, and *Kyrgyzstan*, with a total of *56 million*. Naturally, we must add also the Asian part of *Russia*, the world's largest nation in area, and a vast repository of natural resources as well as scientific and technological know-how. *Russia* extends over 11 time zones, from Europe to the Pacific Coast of Asia; she constitutes a unique *Eurasian nation*, and natural bridge between East and West, with a unique history of interaction with all the great cultures of Europe and Asia.

Taken together, the population of the Asian continent is about 3.5 billion people, of whom over 95% belong to the developing countries. The latter countries have an enormous deficit in per-capita consumption, compared with Europe and with developed Asian nations such as Japan. The nominal GDP per capita in Asian developing nations is typically in the range of \$1,400-4,000 (*Bangladesh* \$1,380, *India* \$1,720, *China* \$3,600) compared to \$12,600 in *South Korea* and over \$23,000 in *Japan*. More significant is the discrepancy in electricity consumption: Per-capita electricity consumption in Asian developing nations is typically in the range of 100-1,000 kilowatts per hour per capita per year (*Bangladesh* 113 kwh, *India* 482 kwh, *China* 1,074 kwh) compared with 5,635 kwh in *South Korea* and 7,528 kwh in *Japan*.

Think of these comparisons, not only as reflecting the low

average living standard in the developing nations of Asia at present, but also as pointing to an absolutely enormous potential market for the export of investment goods—modern production technology and modern infrastructure equipment, which those nations urgently require to raise their overall productivity and living standards. There is no way today that Asia, just by itself, could generate the scale, quality, and variety of high-technology goods, which the development of its 3.5 billion population now requires. While China and India, as well as some of the smaller Asian nations, already possess significant technological capabilities of their own; and while Japan and South Korea possess a highly competitive modern industry; those capabilities still do not match the historically and culturally grounded depth and innovative potential, exemplified by the industrial *Mittelstand* (small and medium-sized firms) in Germany, Italy, and other European nations. What counts here is not so much the sheer volume of production, but rather the capability for *problem-solving*, for generating new solutions—in the form of productive technology and know-how—for the vast and expanding array of problems posed by the physical-economic development of Asia.

A Common Objection

Not everyone agrees with the thesis, that the further development of nations like China or India, will lead to a vast expansion of the markets for, for example, German exports. Skeptics often object: “By exporting modern technology to Asian countries, we are digging our own grave. The Chinese will copy our products, crank up their own production, push us out of the Chinese market, and finally push us out of the whole world market!” As evidence, they point to the low labor costs in China, on the one side, and the flood of cheap goods China is already exporting around the world, by combining its cheap labor with modern, high-volume production methods. They conclude, that China’s rapid industrial development will actually *destroy* jobs in exporting European nations, rather than create them.

Such skeptics should be reminded, that similar arguments have been applied in earlier times, to once-poor nations like South Korea, or even Japan, that remain major trading partners of Germany today. In spite of their having become able to produce virtually every category of industrial goods at a world level, and also to “copy” many products, their imports from Germany actually *increased*, rather than decreased! Generally speaking, in fact, the more the industry of a nation develops—the more it becomes, in a sense, a competitor—the more the market for European investment goods grows. The precondition for this paradoxical effect, of course, is that Germany must maintain a relatively high rate of technological innovation and development in the investment goods area, above all by protecting and cultivating the unique capabilities of the industrial *Mittelstand*.

Important lessons can be learned by comparing Germany’s exports to various parts of the world, not simply in total

TABLE 2
Nations’ Per-Capita Imports from Germany
(Annual Value in Euros)

Neighboring Countries	
France	1,200
Hungary	1,058
Italy	889
Spain	745
Bulgaria	125
Semi-Distant Countries	
Saudi Arabia	140
Turkey	91
Russia	23
Distant Countries	
U.S.A.	250
Canada	169
Malaysia	118
Japan	103
S. Korea	98
Thailand	36
India	3.2

Source: EIRNA.

Why Europe needs “to move Asia closer” by Land-Bridge construction and development: Exports vary directly with both higher per-capita income and greater closeness of the potential importing country.

amounts, but also in terms of the volume of exported goods *per capita* of the population of a given country—plotting this against per-capita levels of consumption and production in that country, and against the country’s economic-geographical proximity (**Table 2**). For example: France, Germany’s number-one trade partner, imports about 1,200 euros of German goods yearly, for every man, woman, and child of the French population. The other EU countries range around 750-2,500 euros per capita per year. The U.S.A., comparable to France in per-capita income and today a strongly import-dependent country, but located across the Atlantic Ocean, imports nearly five times less per capita, or about 250 euros. China, both poorer and more distant, imports from Germany only 9.7 euros per capita of the Chinese population. Nevertheless, with a population of nearly 1.3 billion persons, China’s imports from Germany amount to over 12 billion euros per year, and are rapidly increasing.

India, the second giant of Asia, has a per-capita import of only 3.2 euros. South Korea, which is about as distant from Germany as China, but with a much higher per-capita income, imports ten times as much, or 98 euros per capita. Japan, a fully developed industrial economy, has about the same per-capita import from Germany: 103 euros. Bulgaria, much

poorer than South Korea and Japan but much closer to Germany, imports significantly more, namely 125 euros yearly per capita.

Evidently, the rough order of magnitude of per-capita imports of a given country, from Germany, is largely determined by two parameters: 1) the overall living standard and level of economic development of the country; 2) its relative proximity. Were China and India, for example, to develop to a level comparable to South Korea or Japan today, we could reasonably expect the volume of European exports per capita to rise to a comparable extent; i.e., by a factor of ten or more. In view of the combined population of 2.3 billion, German exports to India and China alone would then amount to far more than Germany exports to the entire EU today.

If, in addition, India and China could somehow be brought “close” to Europe, by greatly reducing the cost and time of transport, and improving the degree of economic integration, then the export market might be increased by as much as another order of magnitude.

How To Move Asia Closer to Europe

We have singled out two principal methods for expanding export markets in Asia: First, to *raise the per-capita living standards of Asian nations*, through sustained, in-depth economic development of their economies. Second, to *bring Asia closer to Europe*, both economically and in terms of intensity of cultural-social interaction (“Dialogue of Cultures”), by creating a network of high-speed, high-efficiency transportation corridors across Eurasia.

If carried out on a sufficient scale, the Eurasian Land-Bridge policy, referred to above, combines both of these “vectors” in a powerful “synergistic” effect: Building up a dense network of infrastructure corridors across Eurasia, including modern energy, transport, water, communication, and other basic infrastructure, is the most powerful means both to accelerate the economic development of the Asian nations, and at the same time to bring Europe and Asia together into a highly efficient, integrated physical-economic system, comprising 4 billion people, or two-thirds of the world population.

The effectiveness of large-scale infrastructure development, as a “locomotive” for rapid economic growth, has been proven again and again in history. We need merely cite the stunning success of Friedrich List’s German railroad system; the central function of transcontinental rail corridors in the rise of the United States to a leading industrial power during the second half of the 19th Century; the analogous role of the Trans-Siberian Railway in the development of Russia; Franklin Roosevelt’s use of large-scale water projects, rural electrification, and other infrastructure improvements as a motor for overcoming the “Great Depression” in the United States; and most recently, China’s use of large-scale state investment into “megaprojects” for energy, transport, water, and other infrastructure to promote a sustained boom in its domestic economy. Achieving a similar effect on the scale of

Eurasia as a whole, poses special challenges, that have been taken account of in LaRouche’s design of the “Eurasian Land-Bridge” policy.

Firstly, we require advanced transportation and communications technologies, in order to offset the cost-effect of large distances separating the population concentrations in Europe from those in East, Southeast, and Southern Asia. At present, the great bulk of freight transport between Europe and Asia is by *ship*. But with relatively minor improvements and additions, the existing transcontinental rail lines across Eurasia can be more effective. Once the link of the Trans-Siberian Railroad with the Trans-Korean Railway is completed, for example, shipments from South Korea to Western Europe will be reduced in time from, presently, 26 days—by ship—to eight-nine days over rail, and at the same time, the transport cost reduced from \$1,400/TEU (20-foot Equivalent Unit) to \$600/TEU. The use of satellite tracking and other technical improvements could speed this up even more.

The use of high-speed automated transport systems, based on novel technologies such as electromagnetic (linear motor) propulsion and magnetic levitation, will one day reduce the relative economic cost of transport across all of Eurasia, to a level not much larger than the costs for transport across Western Europe today.

Secondly, in view of the difficulties posed by the vast area of Eurasia, including especially the underdeveloped “hinterlands,” we must *concentrate* initially on a well-chosen array of high-density, band-like *corridors*, of a width of roughly 100 kilometers, centered on high-speed rail connections, and within which transport, energy, water, and communications systems are integrated in a highly efficient manner. Those corridor regions, with their dense infrastructure and efficient access—via the Eurasian Land-Bridge network—to the main population centers of both Europe and Asia, become extremely attractive areas for investment into industry, urban development, services, and a rapidly growing market. Such corridors achieve many of the economic advantages of cities, while at the same time being “stretched” lengthwise to cover large distances.

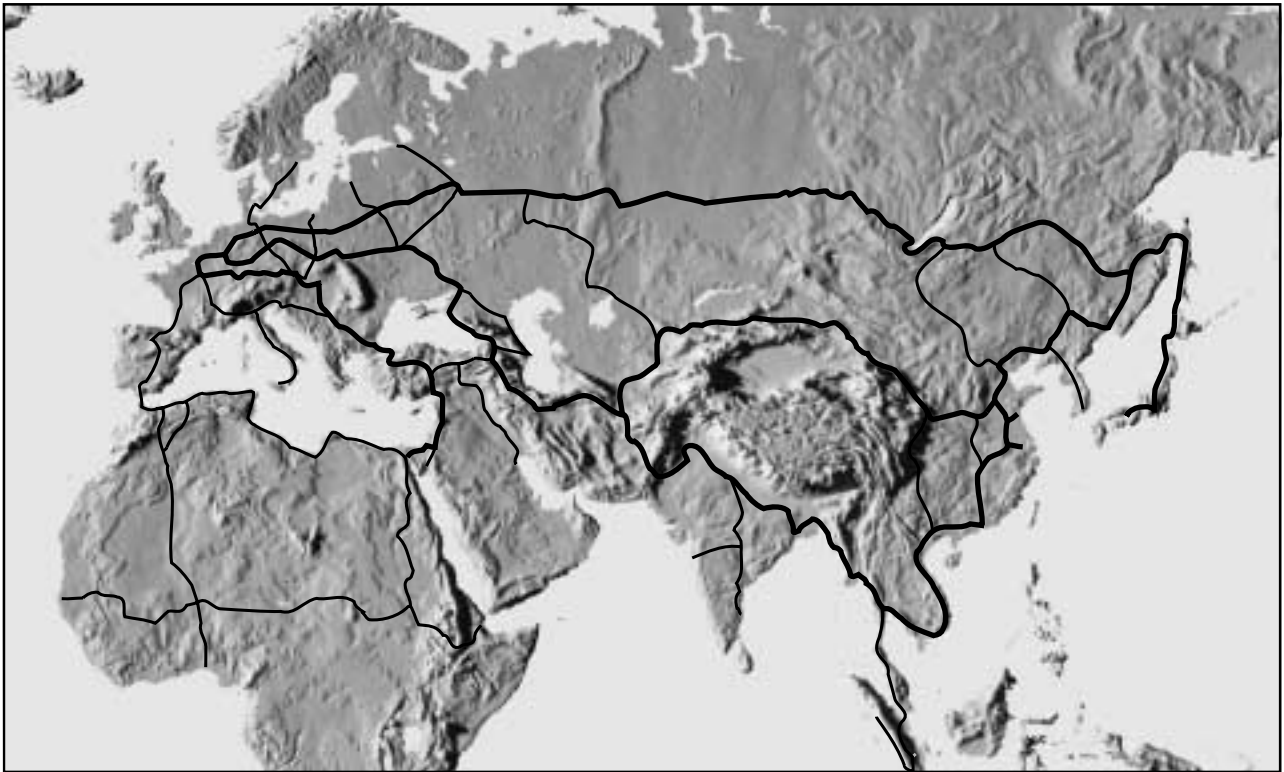
The Eurasian Land-Bridge corridors envisaged by *EIR* (see **Figure 2**) would encompass about one-quarter of the total population and 70% of the urban areas of Europe and Asia—a highly accessible market of 1 billion people. These and other aspects of the Eurasian Land-Bridge, including projects already in progress today, were mapped and discussed at length in *EIR*, Nov. 2, 2001, cited above.

Asian ‘Mega-Markets’ in the Coming 20 Years

Nothing, perhaps, illustrates the potential for expanding Germany’s export to Asia more clearly, than the requirements

FIGURE 2

Topographical Map of Eurasia, With Some Main Development Corridors of the Future

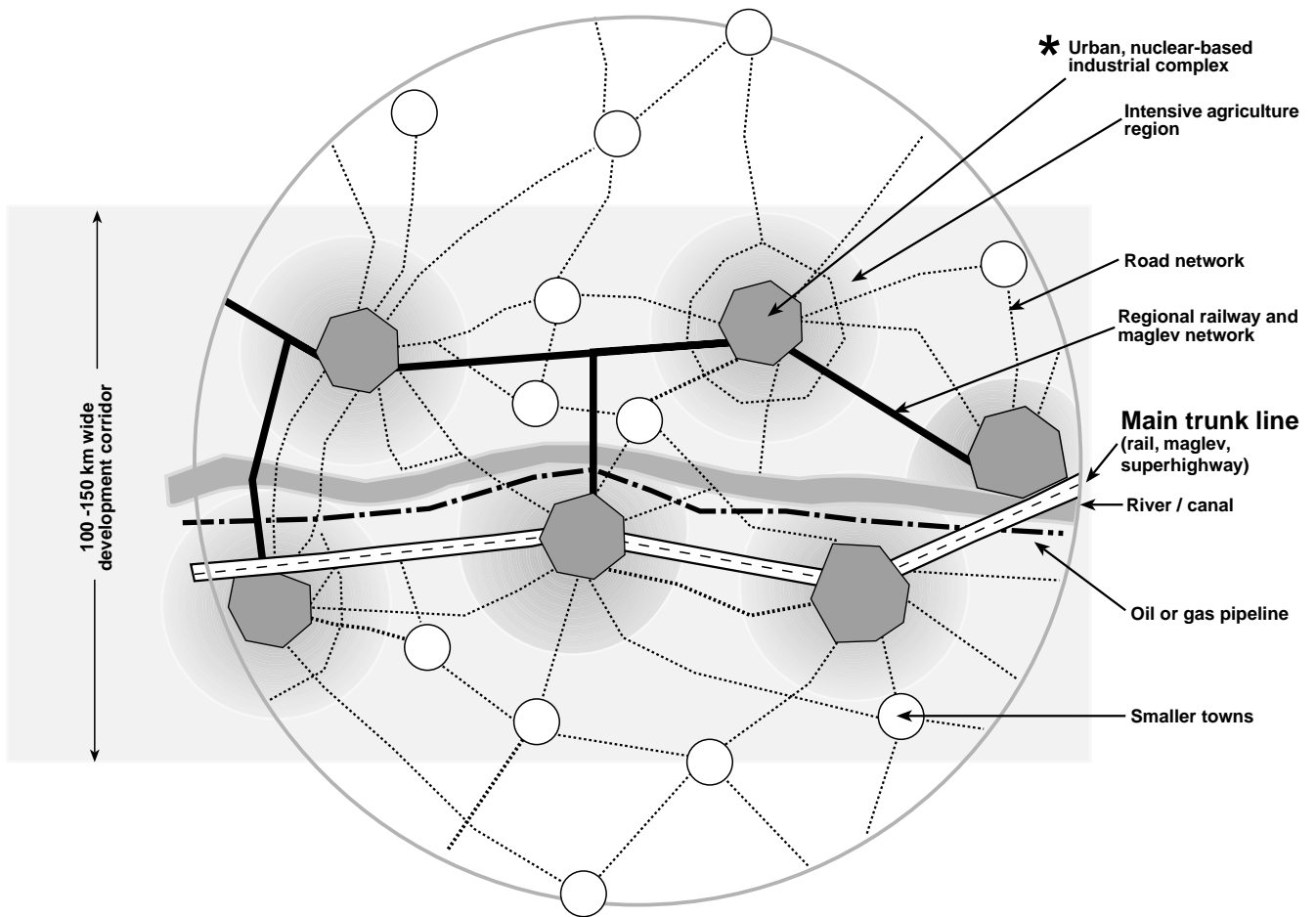


Eurasia: Currently Existing Main Routes of the Eurasian Land-Bridge (Simplified)



FIGURE 3

Graphic Representation of a ‘Development Corridor’



The two maps show the Eurasian Land-Bridges—means of “bringing Asia and its markets closer to Europe”—as already being constructed, and as envisioned in ongoing development, by Lyndon LaRouche and associates since 1992. This conception of Land-Bridges is as not merely transport arteries, but 100-kilometer-wide “development corridors,” shown here schematically—corridors of urbanization, and development of energy, communications, water use, and local transportation networks.

for Asia’s energy and transport sectors over the coming decades.

Let us first look at electric power—a key factor in economic development—starting with the case of China. Chinese specialists now estimate, that to keep up with the rapid growth of electricity demand in the country, China will require *an additional 25-30 gigawatts of installed power generation capacity every year* during the coming period (1 gigawatt = 1 billion watts of continuous power; roughly the capacity of one large nuclear reactor unit, for example). Compare that with the total power generation capacity of Germany today, which is about 114 GW. That means, for example, that every four years, China must add the equivalent of more than the entire electric power generation capacity of Germany!

No one should think that this is not actually going to

happen. The figure mentioned is coherent with a conservative estimate by the International Energy Agency (IEA), according to which China’s installed capacity will increase by 3.4 times up to the year 2030, from about 318 GW today, to 1,087 GW. But it is likely that with the growing pace of urbanization in China, electricity consumption will accelerate much beyond the IEA projections. Not only has China already increased its electricity capacity *five-fold* over the last 20 years of rapid economic development, but the accelerating process of *urbanization* will accelerate the demand for electricity even more in the coming decades. The Asian Pacific Economic Council conservatively estimates that China alone will invest over \$800 billion in construction of new electric power plants over the next 20 years.

Although with slower growth rates, India and its neigh-

bors in Southern Asia have an even greater electric power deficit to be filled. India, after China, one of the fastest-growing economies in the world, and which is ambitious to catch up, now has only slightly more than half the per-capita electricity consumption of China, and one-third of the installed generation capacity. The Indian economy is already plagued with chronic insufficiency of power generation, and experts are predicting that demand for electricity will increase by *over 8% per year* in the coming period. Just to catch up with present demand, approximately 111 GW must be added to the Indian grid within the decade.

In many of the smaller countries of South and Southeast Asia, demand for electricity is growing even faster. Indeed, under “takeoff” conditions for the Asian developing economies, as have been reached by China already, we must expect overall requirements for additional power generation and distribution capacity for these countries, to be on the order of over 60 GW—equivalent to half the total installed capacity of Germany—*each year*. This translates into a huge demand for equipment and know-how from Europe.

Indispensable Role of Nuclear Power

In this context there is no way to avoid the issue of nuclear energy, which has become a totally irrational ideological taboo in many European countries. The reality, contrary to widespread disinformation, is that nuclear reactors are, in terms of overall macroeconomic effect, by far the most economical way to produce electric power. The essential reason lies in the much higher inherent *power-density* of nuclear fission, compared to other existing power sources, and the high level of knowledge, training, and qualification of labor power associated with the mastery of nuclear technology, which raises the overall productivity of the economy. China, India, and other Asian developing countries are well aware of this, and have already committed themselves to a large-scale use of nuclear power, as indispensable for their economic future. With the economic “take-off” of China, the trend toward nuclear energy has already become unstoppable. The question is *not*, whether a huge market for civilian nuclear technology will develop in Asia—it will, for certain—but rather, which reactor technologies will be used and (to put it a bit cynically) who will get the orders.

Ironically, the anti-nuclear hysteria in Germany, Italy, Sweden, the United States, and other former nuclear power-exporting nations of the West, has left Russia with a virtual monopoly on the export of nuclear power reactors to Asia. Russia presently has nuclear reactor construction projects in India, China, and Iran, as well as in Finland. At present, there are 98 nuclear power units in operation in Asian countries, most of which are in Japan and South Korea. Among the Asian developing countries, mainland China already has five power reactors in operation, six under construction, and eight planned, while Taiwan has an additional six operating power reactors, with two more under construction; India has 14

power reactors in operation, six in construction and seven planned; Pakistan has two power reactors and one planned; and Bangladesh, Thailand, Indonesia, and Vietnam are developing plans to initiate nuclear power development within this decade.

All in all, counting Japan and Korea, a total of 22 nuclear power units are now under construction in Asia, and about 39 are in the planning stage. This, however, is only the beginning. For several reasons, it would be economically suicidal for China and India, in particular, to prolong their massive dependence on fossil fuels for power generation. For example, quite apart from the massive pollution of the atmosphere and the surface environment by the transport and burning of 1 billion tons of coal yearly—the main fuel for China’s power stations—just the transport alone already locks up a large part of the Chinese rail capacity, and cannot be expanded much further without enormous penalties. For these and related reasons, China is rapidly expanding its consumption of natural gas. But much of this gas must be imported over long distances, and, with the steep growth of energy consumption, this, too, runs into major limitations. So-called “alternatives” like wind or solar energy, are rightly rejected as exorbitantly costly and space-consuming.

There is no real alternative other than to move quickly toward nuclear energy as the *main basis* for further expansion of electricity generation in China. The same is true for India and most of Asia as a whole. Just in view of China’s requirement for 20-30 GW additional capacity every year, this translates into the urgent need to develop *series production of nuclear reactors* for Asia—reactors that should be modular in construction, low in cost, simple, robust, and accident-proof.

Fortunately, a specific nuclear technology already exists, which fulfills all these requirements: the so-called “pebble-bed modular high temperature reactor” (variously designated PBMR, MHTGR, or simply HTR), originally developed in Germany. Named for the novel spherical fuel elements (“pebbles”) that form its core, this reactor-type is constructed in such a way, that a dangerous accident is ruled out by physical laws, without the need for expensive safety systems (see “The New Nuclear Power,” *21st Century Science and Technology*, Spring 2001, for example, on HTR nuclear power technology).

Ironically, in the context of Germany’s politically motivated *Ausstieg* (“bail-out”) from nuclear energy—an error that must urgently be corrected, if it is not to lose one of its most important export markets of the future—this technology has “emigrated” to the developing countries, first of all, to South Africa and China. South Africa is currently preparing to build a first prototype module for future mass production and export, and China is already operating a test reactor based on the German design. Japan also has an operating test HTR, based on a somewhat different design. The French Commissariat Energie Atomique (CEA) last year chose the HTR as the most promising “second-generation” nuclear technology,

in the context of a projected world-wide renaissance of nuclear energy.

A further, crucial consideration is the potential of using high temperature reactors as heat sources for industry, in place of combustion of fossil fuels, for desalination, and especially in order to produce *synthetic fuels* for automobiles and other vehicles. This likely development would mean an order of magnitude bigger market for nuclear technology, than simply the generation of electricity.

All in all, we are talking about an Asian nuclear technology market, that will grow to as much as *several hundred billion dollars* per year over the coming two decades.

Asia's Urbanization as Export Driver

As a result of its sustained growth, China has now entered a phase of rapid *urbanization*, with profound implications for the structure of its economy, as well as its pattern of imports. According to Chinese experts, the urban population of China is expected to increase from about 31% of the total population today, to 60% by the year 2020. That means an increase of the urban population of China from about 390 million today, to 912 million—more than a half billion more people—in less than 20 years! This means a colossal scale of urban construction, certainly without parallel in modern history.

But no one who has seen the transformation of Shanghai and other Chinese cities in recent years, will doubt that China today is capable of such feats. China has an ample reserve of labor and a rapidly growing productive base to fuel the urbanization process. In fact, Chinese economists have identified construction of new cities, and modernization and expansion of existing cities, as the crucial means to create employment, stimulate demand, and ensure the social stability of the country in the coming period. City-building means not only housing construction—in which the Chinese have unequalled proficiency—but above all, transport, energy, water, and communications infrastructure. Here a vast market is opening up for European high-technology exports.

One signal is the Transrapid project in Shanghai, and another is the announcement by Chinese authorities, to invest \$20-25 billion over the next five years in infrastructure improvements in the city of Beijing, in preparation for the Olympic year 2008. This includes six new subway lines, 300 kilometers of new superhighways around the city, the refitting of 90% of buses and 70% of taxis to use low-emission natural-gas fuel, new optical-fiber infrastructure for digital communications, etc. In addition, some \$12 billion is to be invested, by 2008, in the creation of a ring of transport logistics centers around Beijing. The first 148 projects for participation of foreign companies have been announced, with a total volume of \$14 billion.

The Beijing projects, however, represent only the tip of the iceberg. Urban mass transit equipment for Chinese cities is developing into an enormous market just by itself. The State Planning Commission of China projects a total expenditure of nearly \$100 billion for urban transport infrastructure in 2001-05, of which 25% will be for urban railways. At present, China's urban mass transit systems are highly under-developed; all the metro rail lines of all China's cities put together, amount to only about 150 km, compared to 331 km in the German capital of Berlin alone. But now, according to Chinese experts, "The time for China's urban transport construction has come." By 2005, some 450 kilometers of urban rail will be built; and by 2010, this should nearly double again. Construction is now in progress on subway systems for 20 of China's 34 cities with more than 1 million population. The target is metro systems to carry 80-90% of passenger traffic in Chinese cities by the year 2050.

Taking into account the urbanization process, we project total investments going into *trillions* of dollars for urban mass transit systems alone in China. Designing and building mass transport systems to serve an urban population of over 900 million people in China 20 years from now, pose considerable technological challenges. Here is a major area for European industry, including not least of all, *Mittelstand* companies.

Contrary to many silly comments in the European press, the choice of the Transrapid was by no means an extravagant luxury intended only to build China's prestige. The decision by the Chinese central government and the authorities in Shanghai, to build the world's first commercial magnetic-levitation train line, reflects a sober realization that the gigantic problems posed by urbanizing a nation with over 1.2 billion people, cannot be solved by conventional methods only, but require the most advanced technologies available—technologies of the 21st Century.

In particular, China cannot afford the incredible waste of physical resources associated with the "American model" of transport: over-dependence on personal automobiles, over-reliance on truck transport for long distances, chronic under-development of rail systems, and an extremely costly over-expansion of aircraft transport for short- and middle-distance intercity passenger traffic. The German Transrapid provides by far the most advantageous alternative to a wasteful over-expansion of air transport between China's major cities, permitting the smaller cities in between to be serviced at the same time. In the context of a national network, the Transrapid boasts the further advantages, of being much better suited to hilly areas, where conventional high-speed rail requires many tunnels, and making extremely economical use of space.

But beside the Transrapid—which is not the last word, but just the first of many generations and varieties of magnetic levitation systems—China's complex transport problems will require countless new technologies and innovations. All of this applies just as well for India and other Asian develop-

ing nations, the only essential difference being the rate of growth.

A Eurasian Conveyor-Belt

An interesting, additional example of the kind of technology that may play a major role in the entire development of Eurasia, is the so-called “rail taxi” system being developed at the University of Paderborn, Germany. This system, suited for both passenger and freight transport, and for urban as well as cross-country applications, combines the use of conventional rail track with the so-called linear motor propulsion technology used by the Transrapid. In this system, specially designed modular rail cars, called “shuttles,” are propelled individually along conventional rail tracks by magnetic forces, with the help of coils mounted between the tracks. This allows full, automatic computer control of the motion of the cars, which can travel separately or be grouped, while in motion, into “convoys” to lower air resistance. A major advantage, is a passive switching system that allows individual cars to be switched off and routed to separate destinations, without interfering with the motion of adjacent cars. Each car is guided to a desired individual destination anywhere in the network, through a computerized control system. This eliminates huge losses of time in conventional rail or combined rail/road transport, due to re-sorting, reloading, and holding of cars. With a top speed of 160 kilometers per hour (95 miles per hour), the “rail taxi” could achieve *average* speeds of 130 kph from start to destination, compared with an average of 15 kph average for rail transport of goods in Europe today. It adds up to a revolution in transportation, eliminating much of the basis for the shift of freight from rail to truck transport in industrial countries in recent decades. Thereby China, which still transports most of its freight by rail, could avoid the nightmarish consequences of over-reliance on heavy truck transport, which densely populated parts of Europe are suffering today.

It should be noted, at the same time, that the “rail taxi” is a high-technology item, exemplifying the unique capabilities of German innovation and know-how.

These examples should suffice to indicate, how the challenges posed by the transportation requirements in China and other Asian nations can translate into future markets for European high-technology exports.

Coming Mega-Market for Medical Technology

As a final example from a very different field, let us briefly look at the huge potential for exports of medical equipment to Asian developing countries. Here the biggest single markets are in China and India; China imported \$1.4 billion of medical equipment in 2000, and India \$930 million. In both cases, the imports have been growing rapidly in recent years—at rates of 14–16% a year. If the figures are still relatively low in absolute terms, this is because the per-capita expenditure for medical care in both countries, in real terms,

is 100 times less than in Japan or Italy (for example), as measured by direct conversion to dollars, and at least 10 times less, as estimated in terms of so-called purchasing power-equivalent.

Above all, the average level of equipment of hospitals and clinics is still extremely primitive. As living standards rise, however, we are seeing an over-proportional rate of increase in expenditure for healthcare and demand for modern medical equipment. There is little doubt, that the modernization of the medical sector in China alone will induce an increase of yearly amounts of imports by *50 times or more* over the next three decades. This points to an Asian developing-sector market for imports of medical equipment, of \$100–200 billion per year by 2030. More important than such arithmetic values, is the nearly unlimited demand for scientific and technological innovations in this field, where literally every one of Asia’s more than 3.5 billion people is a “customer.”

Financial Feasibility of an Export Boom

Above, we identified two crucial features of the financial infrastructure necessary to realize the interconnected goals of achieving rapid, sustained economic growth in the Asian developing countries, and at the same time greatly expanding the scope of European exports to Asia. The first is the use of productive credit generation (so-called “Hamiltonian national banking”) and large-scale state investment into infrastructure and other productive activities within the participating nations. The second is to make available large amounts of long-term, low-interest credits from the side of the European nations to the Asian developing nations, in a combination of project financing (the “development bank” mode) and export-credit for the transfer of technology and know-how.

As is exemplified by the early history (in post-World War II European reconstruction) of the Kreditanstalt für Wiederaufbau, for example, these two facets of financial policy stand in strong “synergistic” relationship with each other. The essential theory and principles involved, have been elaborated in depth by U.S. Presidential pre-candidate Lyndon LaRouche in his writings (see “LaRouche Foreign Policy: A World of Sovereign Nation-States,” *EIR*, May 16). Here we limit ourselves to two *concrete examples*—one for each of the two aspects just mentioned—that serve to demonstrate the eminent feasibility of financing an Asia-centered economic recovery.

Development by State Credit Generation: China Example

Even the China-critical *New York Times* admitted in a front-page article in January 2003, that China has maintained a “robust growth of 8%,” thanks to “a nearly 25% increase in



China has increased its electricity capacity five-fold over the last 20 years of rapid economic development, but the process of urbanization will accelerate the demand for electricity even more in the coming decades. The Asian Pacific Economic Council estimates that China alone will invest over \$800 billion in construction of new electric power plants over the next 20 years. Although with slower growth rates, India and its neighbors in Southern Asia have an even greater electric power deficit to be filled.

state-directed investment” in the year 2002. “The Chinese government, state banks and companies and foreign investors spent \$200 billion in the first 11 months of last year on basic infrastructure projects. . . . The scale of construction is extraordinary” and even “dwarfs the New Deal and the Marshall Plan.” The *Times* went through the amazing catalogue of “mega-projects” going on in China today, including the ongoing \$30 billion Three Gorges Dam project; the \$60 billion North-South water transfer project just launched by the government; the creation of a national superhighway system; the construction of new subway systems in 10 major cities; the building of the Transrapid line in Shanghai; the construction of some 9,500 kilometers (5,800 miles) of railroads over the next 2-3 years, and so forth.

Indeed, China’s use of state-directed infrastructure investment as a locomotive for rapid economic development, provides a crucial, living example of the kinds of policies needed to bring the world out of a threatened “New Great Depression” today. These are exactly the policies for productive credit generation and large-scale infrastructure investment, that Lyndon LaRouche and his collaborators have been advocating for many years.

China’s success is not only a prime example of the “Super TVA” program LaRouche is proposing for the U.S.A., and of the Land-Bridge policy for an economic boom in Eurasia,

but also underlines a key point Helga Zepp-LaRouche has been making in her dialogue with the German government, on the necessity of reviving the conception of the “Lautebach Plan.”

Put very simply, the Chinese government has *created* the extra money and credit needed, to finance the country’s vast economic buildup! China’s enormous infrastructure investment has been made possible by what Chinese economists call an “expansive monetary policy”: In recent years the People’s Bank of China—China’s central bank—has been expanding the effective supply of money and reserves of credit (the monetary aggregate known to economists as “M2”), by about 15% per year. That means the money supply has been growing almost twice as fast as the Gross National Product.

According to the simplistic way of thinking, now common even among so-called economic experts, such a giant monetary expansion should necessarily lead to inflation and currency instability. But reality has shown exactly the *opposite*: Despite the rapid monetary expansion, overall prices in China have remained stable or declined, while the Chinese yuan (RMB) has become one of the “hardest” currencies in the world.

How can one account for this paradoxical result? The answer, again, is essentially simple: By channeling a large part of the monetary expansion into credits to the productive sector, including agriculture and industry as well as infrastructure, the Chinese government insures that the *supply* of useful goods and services, produced by the economy, has continued to expand even faster than the effective *demand*. Parallel with this quantitative expansion of production, the absorption of modern technologies and increasing qualification level of the Chinese labor force have caused overall industrial productivity to grow at over 4% per year. The result is an overall *deflationary* tendency in domestic prices, at the same time as the volume of money and credit in the economy continues to grow rapidly.

In short, the monetary and debt expansion in China is more than adequately “covered” by the physical expansion of China’s economy, in the form of increased production of tangible goods, infrastructure, and necessary services, without the formation of a giant speculative bubble of the sort we have seen in the United States and Europe over the last 15 years.

The monetary expansion itself takes mainly the form of increases in the effective supply of credit, from the People’s Bank of China, above all, to the so-called “Big Four” commercial banks, which are all state-owned: the Bank of China, the

Construction Bank of China, the Agricultural Bank of China, and the Trade and Industry Bank of China. In addition, a very important role is played by the China Development Bank (CDB), formerly known as the State Development Bank, which is a ministerial-level agency supplying multibillion-dollar credit directly to industries and infrastructure projects. The CDB, which is financially supported both by the Chinese Finance Ministry and the People's Bank of China, has many common features with the famous Kreditanstalt für Wiederaufbau (KfW) in Germany. Indeed, Chinese economists have carefully studied the key role of the KfW in the West German "economic miracle" of the postwar period.

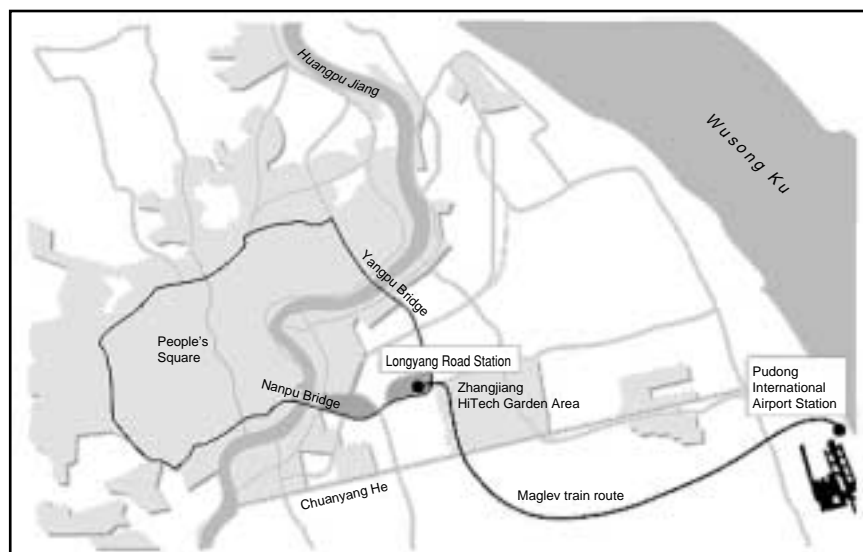
Another key feature of China's credit policy is maintenance of a *low rate of interest*, currently 1.5-1.6% on suitable categories of loans. In addition to the direct credit expansion via the People's Bank of China, the Chinese government has recently been supporting its high level of direct investment into the economy, through a moderate budget deficit of about 3% of GDP. This is being financed through the issuance of about 100-150 billion RMB per year in bonds, compared with about 1 trillion RMB in yearly tax revenues. The total accumulated government debt, in the form of bonds, now amounts to only about 17% of the GDP. This government debt rests on a very solid basis, in the form of a rapidly growing tax base provided by the expansion of China's real economy.

The Infrastructure Component

The channeling of new credit into basic infrastructure investments, on the order of \$200 billion per year, is a key feature of China's anti-inflationary credit expansion policy. Infrastructure construction—including transport, energy, water systems, communications, etc.—is laying the foundation for the rapid, sustained expansion of China's economy as a whole, while at the same time stimulating employment and production in industrial sectors supplying the projects themselves, and opening up previously backward regions and resource-rich areas for development.

In a typical case, the financing of a major infrastructure project, once approved by government agencies, is pulled together from three main sources: First is *direct state investment*, from the budget of the Finance Ministry. Typically, this amounts to about one-third of the total financing of a project. Second, loans provided by the state-owned commercial banks and the so-called "policy banks," above all, the China Devel-

FIGURE 4A
The Shanghai-Pudong Transrapid Maglev Project



Source: Transrapid.

The city of Shanghai's magnetic-levitation railroad system is now operating, displaying Europe's and Germany's highest-technology-transfer export to Asia so far. The first section's construction was completed in not much over 18 months; its top speed is near 300 miles per hour; steel consumption in construction is thousands of tons per mile. And much longer maglev routes are now planned in China, as the second map shows.

opment Bank, which operate under direct government control. These credits are granted to agencies and (usually publicly controlled) corporations that build and operate projects. Third, funds raised by local authorities and corporations involved in the projects from domestic and foreign financial markets, for example, in the form of bonds. The right to issue bonds is tightly regulated and granted only to a limited number of corporations and other entities under strict conditions. An illustrative example is the issuance of bonds by the Three Gorges Dam Corporation, a state-controlled corporation created to build and operate the giant Three Gorges hydroelectric and river-control project. Similarly, railroad-building corporations have been issuing bonds.

The Chinese government itself has also been raising additional funds for infrastructure investment, through the issuance of bonds, sold mainly on the domestic market. This includes specific Construction Bonds.

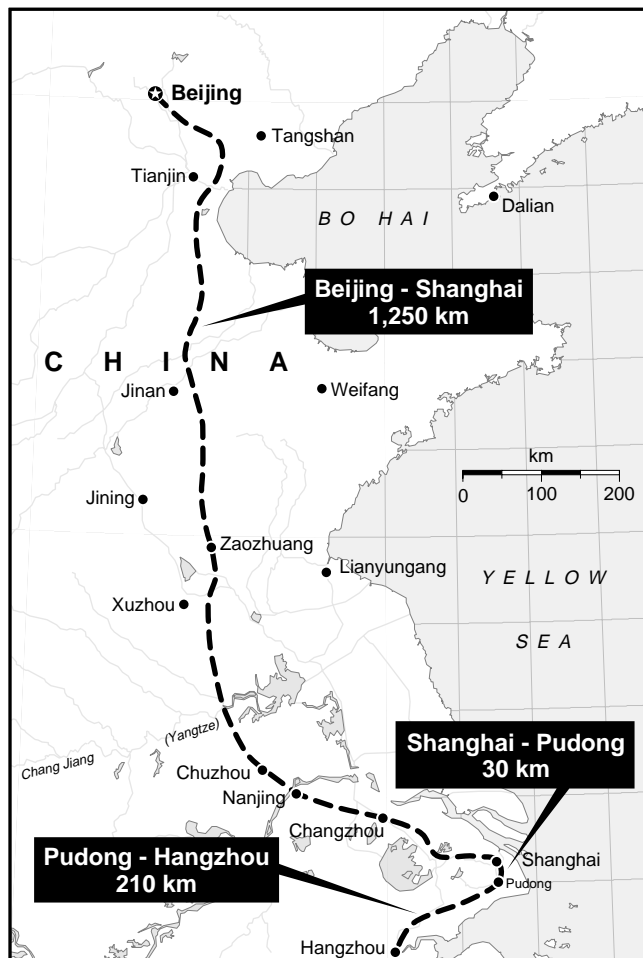
It should be obvious, that apart from some aspects of secondary importance, there is nothing in the methods just described, which could not be used in principle by every other developing nation in Asia, or the world—as well as by industrial nations themselves.

Exports and Technology Transfer: The KfW Model

To finance exports of investment goods to Asia, in the order, potentially, of 5-10 times the level of Germany's pres-

FIGURE 4B

Planned Maglev Projects in China



Source: Transrapid.

power station Atucha I in Argentina, the Keban Dam in Turkey, the Lome Harbor in Togo, the Cabora Bassa hydroelectric project in Mozambique, the Roseires dam in Sudan, and others. There were countless smaller projects, from road-building and irrigation systems, to manufacturing plants.

In the 1960s, about 50% of the capital assistance went to India, Pakistan, Turkey, and Egypt, with the rest going to developing nations, including South Korea (then a “developing nation”) and other countries in the Far East. In addition, the KfW financed projects for mining and raw materials processing projects, which were important for securing Germany’s supply of raw materials.

Parallel with the issuance of credits for development projects, the KfW provided credits to foreign recipients for import of equipment produced by German companies, working closely with the Hermes state export-import bank. Supported by KfW credits, German companies built power plants, cement, paper, or fertilizer plants in developing countries, as well as “threshold countries” such as Mexico, South Korea, the Philippines, Pakistan, or (at that time) Spain and Greece.

Toward the end of the 1960s, Brazil became an increasingly important partner of the KfW. Between 1961 and 1970, the volume of export financing by the KfW grew from 160 million to over 1 billion Deutschmarks per year. Unfortunately, from the late 1960s on, the type of development strategy, exemplified by the KfW and similar institutions in a number of countries, encountered an increasingly hostile international environment, finally leading to their virtual marginalization. The problem was created by a shift, in the United States and Great Britain, away from a postwar emphasis on productive investment, toward increasingly radical anti-industrial economic and financial policies. These led to the August 1971 collapse of the original Bretton Woods fixed-exchange-rate world monetary system, and the transition to the present, speculation-ridden “floating-exchange-rate” system, which rendered long-term international investment and trade agreements virtually impossible.

The same anti-development policies, exacerbated by the austerity policies imposed upon the developing sector by the International Monetary Fund (IMF) and international banks, increasingly, since the manipulated “oil crisis” of the mid-1970s, led to the financial ruin of virtually all the developing nations. At the same time, the United States government adopted the neo-Malthusian ideology of “population reduction instead of development,” taking an openly hostile attitude toward transfer of modern technology to developing nations. In particular, the combination of financial crisis and American pressure, effectively shut down most of the long-term nuclear and other technology agreements that had been reached between Europe and developing sector nations such as Brazil, Argentina, Mexico, Iran, India, Pakistan, and many others.

As a result of the defeat of the attempted economic alliance with developing countries, the flow of exports from export-oriented European countries concentrated more and more toward the advanced sector nations themselves, espe-

ent exports to the whole world, it is not necessary to “reinvent the wheel.” There is already available an excellent historical model: the role of the Kreditanstalt für Wiederaufbau (KfW) during the 1960s and 1970s, in providing a “credit locomotive” for the expansion of German exports to developing countries. Crucial to the success of this model, was the fact that it was based on a long-term strategy for Germany’s participation in real, sustained economic development in the partner nations, rather than the short-term “market” thinking predominant today.

In the 1960s, the KfW combined the functions of a development bank and an export credit bank. Using its extensive experience with the reconstruction of the West German economy after World War II, the KfW financed or co-financed countless projects for energy, water, and transport infrastructure, and development of agricultural and industrial production in Third World countries. Some of the most famous projects included the Rourkela steel plant in India, the nuclear

Three Gorges Opens to Ships

The first passenger ship went through the permanent two-way, five-step shiplock of the Three Gorges Dam on the Yangtze River—the world’s largest water-control project—on June 13. At 10:00 p.m. on June 9, the reservoir behind the dam had reached the height of 135 meters, storing 10 billion cubic meters of water since the sluice gates were closed on June 1.

The speed of water flow was recorded at 10,000 cubic meters per second. With the water depth between 4-6.5 meters in many parts of the middle reaches of the Yangtze River, full resumption of normal navigation is now possible with the reservoir level at 135 meters. It will remain at that level for five years, after which the water will be allowed to rise to its full height of 175 meters.

After the June 9 attainment of the 135 meter water mark, the navigable courses of a dozen tributaries of the Yangtze have increased in length by more than 500 kilometers. Navigation on the river will be considerably expanded, with 10,000 ton ships, formerly able only to navigate on a small portion of the river between Wuhan and Yichang, now able to travel the entire distance to Chongqing.

The 6,300 kilometer (3,800 mile) Yangtze, with its 3,600 tributaries flows through 18 provinces. With a population of 400 million, the Yangtze River Valley generates more than one-third of China’s gross domestic product.

According to *People’s Daily*, GDP in the reservoir area has grown by 2.2 times, revenue by 1.8 times, and the per-capita income of farmers by 2.1 times over the past ten years.

On June 10, two generator units at the Left Bank Power Station of the dam got their first tests. By August these two generating units will begin operating. In October, an additional two units will be put into operation, producing a total of 5.5 billion kilowatt-hours of electricity this year for central and east China, where power supply is insufficient. The Three Gorges Project has a total of 26 generating units, with a total combined capacity of 18.2 gigawatts (billion watts) of electricity.

The dam is the realization of a dream of Sun Yat-sen, who already in 1919, was proposing such a project on the Yangtze. While the project has forced the repatriation of thousands of families, new cities have been built higher up the mountain to replace those which have been submerged by the reservoir. Other families have been given subsidies to move to some of the more populous areas of the country, on the east coast and elsewhere.

Flooding along the Yangtze has been endemic, with one devastating flood every ten years for the last two millennia. The two big floods in the 1930s killed nearly 300,000 people.

In addition to the 26 generators at the Three Gorges Dam, further dams are being built on the Jinsha River, an upper tributary of the Yangtze, with four more generators that will give a combined generating capacity of 38.5 gigawatts.—*William Jones*

cially the U.S.A., which, fueled by the inflationary financial bubble, became the world’s “importer of last resort.” Now that the bubble has collapsed, and a new “Great Depression” is staring us in the face, an entirely new situation faces the world.

The present situation, while fraught with great danger, also poses very great opportunities for a positive shift in economic policies. First, the defective, post-1971 world financial order is now undeniably bankrupt, as reflected in the sheer unpayable accumulation of debt and speculative financial obligations, with the U.S. financial system itself in the center of the coming storm, and the necessity of fundamental reform—the “New Bretton Woods” conception of Lyndon LaRouche—is becoming more undeniable each day. With this comes the rising pressure, internationally, to somehow revive the features of the original, postwar fixed-currency-exchange system under which much of the world had once prospered, into the 1970s.

Second, a number of developing countries of Asia—in the forefront, China—have insisted on their economic and financial *sovereignty* vis-à-vis the domination of the IMF and

other international financial institutions. China, in particular, has “broken the rules” by adopting a policy of internal productive credit generation to finance a sustained infrastructure-centered economic boom, providing a successful example to the whole world, of the “New Deal” methods of economic recovery. Moreover, steps are under way, in the so-called ASEAN+3, consisting of the Southeast Asian nations plus China, South Korea, and Japan, to create a new, alternative framework for regional trade and investment, possibly including a proposed Asian Monetary Fund.

Third, the recent emergence of a new “triangle” France-Germany-Russia—in collaboration with China, India, and other key Eurasian nations—which came together around the search for a political alternative to the Bush Administration’s Iraq war drive, opens the door to developing the *economic dimension* of that alternative.

Here there is a real chance, that a chain of already-existing “triangles” and other collaborative combinations of Eurasian nations might coalesce, to make the policy outlined in this report, into reality.

The World Must Go Back to the Proven Practice of National Banking Systems

Democratic Party Presidential pre-candidate Lyndon LaRouche gave this interview to EIR Nachrichtenagentur in Germany, on April 15. It was published in the Special Report Lautenbach-Plan und die Entwicklung Asiens (The Lautenbach Plan and Eurasian Development).

EIR: You proposed a New Bretton Woods monetary system as an alternative to the dying old monetary system. Could you outline for us the main features of that?

LaRouche: We're in a crisis which is different than, but comparable to the crisis that hit Europe in 1928-1933. We came out of that crisis in the United States, and later in the world, as result of the program of Franklin Roosevelt; which, of course, in Germany, we have compared to the proposals of Dr. Wilhelm Lautenbach, which are quite similar in some respect.

So, as a result of that, we came out of the Depression. At the end of the war, on the basis of the 1944 Bretton Woods agreement, we set into motion a program of recovery of both the Americas, and Europe, and Japan, which were successful, and continued to be successful in the United States, into the early 1960s, and were successful in Europe into a later period after 1971.

Therefore, we are now in a crisis of this type, which is a breakdown of the present, post-1971 world monetary and financial system, and therefore, as a practical matter of politics, the obvious thing to do is to look to the nearest model of a successful solution to such a crisis, as a way to get a quick agreement on something that will work, at least for some decades to come.

And therefore, the New Bretton Woods system is essentially a proposal for a global—hopefully global—agreement on a new fixed-exchange-rate monetary system, probably with a gold-reserve backing (not a gold backing, but a gold reserve backing), which will then become the basis for international long-term treaty agreements covering trade, tariffs, and so forth, for a general economic recovery of all the participating nations.

This is essentially a simple concept, when you look at it from the standpoint of the previous experience, but of course, there are differences.

EIR: What would the differences be to the old Bretton

Woods system?

LaRouche: First of all, in the post-war period, the United States was the world's unquestioned only world economic power. That is not the case now. The United States is now largely a post-industrial society, when then, it was a producers' society—the world's leading producers' society.

Nonetheless, the principles apply, but they apply on a global scale.

That would mean, for example: We have obviously now in Eurasia, a group of nations around three in the West: Russia, Germany, and France. A group of nations which is around the Strategic Triangle, which is not officially in place, but which is practically in motion: Russia, China, India, and other countries.

On the one hand, Europe can not survive without a great expansion, a long-term expansion of exports of goods, or should we call it “technology exchange,” without which we can not stop the unemployment problem in Western Europe.

On the other hand, China, India, and other countries need large-scale technology exchange for their internal development, to meet their own internal needs. So this is the biggest market in the world in Asia, including Russia. This is the solution for the Russia problem, as to how to reorganize the debts, and how to use Russia as a pivot between Western Europe and Asia, in terms of a large-scale development program.

So, that would be one thing. Then, the United States, would have to do something similarly with the Americas, to revive the broken economies of Central and South America.

Africa would then have a possible solution in the context of this kind of system, because what is required, of course, for Africa, is large-scale infrastructure development projects. These, Africa can not presently finance on its own resources. But we can give them a credit on long term—25 years or so—under such a system, and assist them in technology transfer, to have such transportation or such a general infrastructure system as a network throughout Africa, and thus give them the means, additional credit, to make their economies grow under those kinds of conditions.

So, that is the general order of things that has to be considered.

EIR: And how would you actually organize the credit for



The international potential for a New Bretton Woods monetary conference, and bankruptcy reorganization of the world monetary system, is emerging from U.S. Presidential candidate LaRouche's numerous speeches and consultations in Italy (here, in an April 9 meeting in the capitol in Rome), where Parliament has called for such a change; and from his international diplomacy throughout Eurasia.

this kind of long-term project?

LaRouche: We want to have, since most of the banking systems are now actually bankrupt. Actually, the systems are based on the Venetian model, including to some degree the United States with the Federal Reserve System, of which a group of financier interests are nominally represented by banks; but it is not the banks, it's the interests; it's the interests behind the banks, which are the interests. The Venetian model, which controls so-called independent or partially independent central banking systems.

The component banking systems and related institutions—insurance companies and so forth, Fannie Mae and Freddie Mac in the United States, for instance—are intrinsically bankrupt. Therefore, in such a case, in which it is impossible to reconcile the debts of existing nations in the existing system, you have to throw some of the stuff away, reorganize it, with the power of government; in this case, the power of individual governments combined, as cooperation among these governments.

This means, that the world will go, generally, to a national banking system through the process of putting existing central banking systems into governmental receivership. This means that the governments will then not only reorganize their internal systems to maintain the continuity of society; they will also conclude agreements among themselves to create a global system, in which this matter can be kept under control for a quarter century or so. That is the big difference.

So therefore, we are talking about not a U.S.-sponsored world system; we are talking about a system, in which many nation-states form a cooperating group to do the same thing, or approximately the same thing, under the present conditions, in which Asia, Europe, are major leading partners, as much as the United States.

EIR: And what would happen to the institutions of the International Monetary Fund and the World Bank?

LaRouche: Obviously, the IMF is a creation of governments. It really has no independent authority, when its constituent parts are bankrupt. It falls then to the governments. It is nominally parked under the United Nations, but it is not really a United Nations institution; it is parked there, just like the World Bank, which is parked there.

What happens is, the governments will simply set up a new monetary system, call in the IMF, and say: "Here are your new rules, your new management rules." That is the way the change will probably be done. There will be some people who will try to cling to the IMF—if so, we could bypass the IMF, by putting it also into bankruptcy. But the easier way would be if the governments involved would simply walk into the offices of the IMF and the World Bank and say: "You guys are under receivership and new management. Here are the new rules."

EIR: And would you create something like a new international development bank?

LaRouche: You wouldn't, and you wouldn't need to. You would probably get something more solid. You would probably get a non-Keynesian form of Special Drawing Rights out of the new system. In other words, it would not be a Keynesian form—

EIR: What do you mean by non-Keynesian?

LaRouche: Well, the European political systems today are modelled upon the Anglo-Dutch liberal model, which is a Venetian model. A parliamentary system under a head of state, which is probably a monarch or something else, and a parliament which is easily overthrown by a scandal, therefore it is not really an executive agency. Then, both are vetoed



LaRouche specifies that his policy of credit generation for economic infrastructure is like that of Franklin Roosevelt's (left) successful recovery—definitely not a Keynesian approach. Keynes, after all, publicly supported the monetary "reforms" of Hitler and Nazi Economics Minister Hjalmar Schacht. Economist Wilhelm Lautenbach's infrastructure-credit recovery policy, advanced at the same time as Roosevelt's, was rejected in Germany; the cost of that mistake was Hitler's taking power.

and controlled largely by banking systems which, with their independence, exert control effectively over governments. In this system, the generation of credit has been in a Keynesian model, to what Keynes described as credit generation as a multiplier effect within privately controlled central banking systems.

Since we are not going to have privately controlled central banking systems, the Keynesian kind of credit generation ceases to exist. But you can have a Special Drawing Right, based on the combined credit-generating powers of a group of nations who, shall we say, are operating the IMF. . . . Then you have new kinds of Special Drawing Rights, issued by the IMF, which the institutions as a whole would sponsor, approved credit to third parties which might be otherwise outside the system.

EIR: But you would use those credits for projects and, let's say, not for balance of payments?

LaRouche: Absolutely. The trick is to use a gold-reserve-based system. This probably means gold in, plus or minus, presently 1,000 euros a troy ounce, or higher, who knows? But the best thing is to use a gold-reserve standard of settlement of balance of payment accounts, which is a better way of regulating things. You could use Special Drawing Rights under special conditions. The way you would do that—that is for major nations—is major projects, which are treaty agreement projects—

EIR: Such as railroads?

LaRouche: Exactly. These could be the target of Special Drawing Rights credit in international credit—

EIR: At low interest rates?

LaRouche: Yes, at 1 or 2%. That's the whole objective;

without 1 to 2% interest rates, you can not have large-scale infrastructure of this type,

EIR: And how would you handle world trade, which has been liberalized, deregulated? Would you re-regulate it in some form?

LaRouche: Absolutely. Totally re-regulate. It would be done in a practical way, not as some type of utopian scheme. But in practice, what you do is, is you take a list of trade arrangements, largely based on, coinciding with treaty agreements, long-term treaty agreements among governments and states.

Now you say: With the following investment being made in these projects here, we want to protect the capital which is being allocated to this project. . . . So therefore, under the understanding of government support and sympathy for treaty agreements, you will give protection, tariff and trade protection, to certain things.

We had this thing in Italy, for example. Italy is now getting electrical machinery from China, much cheaper than the Italians can produce it. This becomes a danger to the Italian small businessmen who produce this kind of batteries. So therefore, you would provide a protection arrangement of tariff and trade agreements, which in a sense would give China compensation for new markets for exports and produce, and at the same time protect the Italian small producer.

EIR: How do you think, politically, the alliance that opposed the war in Iraq, between Paris, Berlin, Moscow, and Beijing, could begin to move in the direction of such a new system, even if, right now, it does not seem that such an initiative would come immediately from the U.S. government?

LaRouche: No, well, the U.S. government is crazy. But that is going to change. . . .

This is a very unstable situation, in which a virtual coup d'état has occurred in the United States, which has created an irregular situation in international affairs. You have a small group of people, essentially, who for various reasons were able to effect a political coup d'état within government. The President essentially is a puppet, or has been a puppet of this group, as people have observed inside and outside the United States. Now, today, we have to think in terms of aiming at a cessation of that condition.

So now, you have two things you are doing: On the one hand, you are trying to build insulation of the world against the effects of this U.S. insanity; at the same time, you open the doors to get back to a more regularized, more normal relationship between Europe and the United States, in particular.

You approach it this way: You say, we do what we can do, which is what I think the St. Petersburg conference¹ reflected, and the discussions between Schröder and Putin may have reflected that, or reflect that atmosphere. So therefore, it is obvious, that because of the crisis, because of the condition of Germany—with 4 million or more unemployed. You can not balance Germany's books with 4 million unemployed; therefore, you have to have immediately a new market for exports, which means long-term trade agreements. Therefore, long-term trade agreements among, on the one side, Russia, Germany, and France as spokesman countries or leading countries, with Asian countries, again, Russia, China, India, etc., become the obvious requirement. Central Asian cooperation becomes a key part of this.

The reference to the Siemens operation in communication networks, power networks in Russia concurred upon between Schröder and Putin, reflects this kind of thing. I think they are going to move cautiously, but definitely in certain directions, or seek to move in certain directions. Which will mean long-term Eurasian cooperation. That's the direction, not the finished agreements.

There will be also an attempt to force the United States, which is now going into a collapse phase, right now, of its financial monetary system, into accepting and seeing the wisdom of extending this kind of project.

EIR: So, you are saying that the European nations, France and Germany in particular, could, in cooperation with Russia and China, move already toward such a new system, even if the global reorganization has not taken place yet?

LaRouche: I think the mood is, and is so expressed by Russia, it is cautious partial steps in the direction that they know they have to go in. But trying to avoid and minimize the danger of a head-on collision with a crazy President Bush, until he comes back to his senses, or something.

This is the general direction I see. I think there is a lot of

confusion in their thinking, but some things are so glaringly obvious, they can't miss the point.

EIR: And how would it affect Britain? Could they be won over to such a European strategy?

LaRouche: In a sense, easily. Blair is a problem, but Blair also has a problem now. The opposition in Britain, in the political system, was much greater, to the war, was much greater than in the United States. There was great opposition in the people, in the institutions, but in the political system, especially in the political party structures, the opposition was neutralized, with a few voices here and there. In Britain, this was not the case. You had very powerful opposition against the war. You had the Tories lined up behind Blair, in the war question, but many of the Tories who aligned with Blair, in the sense of supporting him against Labour, at the same time, were strongly opposed, as establishment figures, to the war. The British recognize they have got a broken-down economy, and anything that's called "British" there, British Rail, British Steel, is now bankrupt. So Britain is a name for bankruptcy—hopeless bankruptcy.

So therefore, Britain can not survive without large-scale cooperation with continental Eurasia. Therefore, the additional problem is: Britain knows it can not break with Europe; whereas Bush is crazy enough to believe he can. So therefore, the British are going to be much more interested to sneak their way in, in their usual way, into continental Eurasian agreements. And with the "they are nice people" thing, make friends. They would tend to try to come into, and—as the British say—"bugger up" any agreements that are being made in continental Europe, to get their "piece of the action," as the British would put. Because they need it.

It's very similar in Turkey. Turkey is in a very precarious situation, because of this Kurdistan problem, which represents a strategic threat to the whole Middle East. But the Turks desperately need to get in on whatever the European Union is going to become. Therefore, they do not want to break away—for the sake of some crazy agreement with Wolfowitz, the Deputy Secretary of Defense—from Europe. they need to be with Europe. That is their hope to survival.

So therefore, you get these tendencies in Eurasia through this. The whole thing is jammed up by the Israeli question, which is the immediate thing on the table now.

EIR: How would this orientation affect the possibility of peace between Israel and Palestine?

LaRouche: This depends upon the President of the United States, or his equivalent, saying to Sharon and company: "No, you are finished," and just getting the Europeans and others lined up to back him up. The Israelis have nuclear weapons, but they are not going to go to nuclear war against the world as a whole. Some of them would, but they won't. So therefore, the thing is, the United States has to take the lead in stepping on Netanyahu, Sharon, and similar types in Israel. The rest of the Israelis would be happy to go along.

1. The April 11-12 meetings in St. Petersburg of Russian President Vladimir Putin, German Chancellor Gerhard Schröder, and French President Jacques Chirac.



“We do what we can do, which is what, I think, the St. Petersburg conference reflected, and the discussions between Schröder and Putin” and Chirac. “You cannot balance Germany’s books with 4 or more million unemployed; therefore, you have to have immediately a new market for exports, which means long-term trade agreements.”

They are very pragmatic. They really are not principled, as we have seen them, they are pragmatic. And they are capable of turning around completely from what they seem to have said yesterday, for pragmatic reasons. You look at the case of Shimon Peres. In the period I have known him, in the middle of the 1970s, he was one of my boosters, for what I was trying to do on Middle East peace; now he is on the other side. He is all over the place. And so I find that the Israelis in general, the Israeli politicians, are even worse than the Americans, in being real pragmatists, they flip all over the place. So, you create the right circumstances, and get the right pressures, and hope it works. And if it doesn’t work, go back and do a little polishing on the policy.

EIR: Now, looking beyond the immediate crisis, what are the strategic, political, and economic challenges, let’s say 30, 40, 50 years from now? We have 6.5 billion people now. How would you look that far into the future?

LaRouche: I have emphasized the use of Vladimir Vernadsky’s conception of the Noösphere, as a point of scientific reference for redefining all the kinds of problems, that are associated with the growth of population and use of areas which are not yet developed. We obviously have to have a sane conception. Which means we would need much higher density energy sources. Which means going back to nuclear energy, this means right now the nuclear gas-cooled high-temperature reactor. It’s a model; we need to cut down the costs and the burden on transportation systems, power systems, of the present system. It’s a waste. We need to control pollution, obviously. Which means, you want to minimize the

burning of gases, which are obnoxious, and pollute things.

Therefore, we have to think about how to organize cities, how to restructure countries as a whole, the relationship between the rural areas and the urban areas—these things will have to be thought through.

And we obviously will have to come up with a new sense of city planning, of general economic development planning, more emphasis on reforestation, eliminating deserts, and general management of the planet. We are going to have to think about managing the planet, and take this as the general concept of infrastructure: to manage the planet. So, whatever happens with the population, we simply will have to take these things into account, and change our policies and ways of thinking accordingly.

EIR: And how about space, and the space program, in this respect?

LaRouche: Ah! Man is a peculiar animal, he is *not* an animal, which is why he is a peculiar animal. We have to always go to whatever we don’t know. Or, the frontiers of knowledge and ignorance. And we have to always go there. Therefore, we have to go into space, simply as the matter is the most logical science-driver, which, approached in the right way, subsumes everything we know in technology, and every question we have.

So, a space program is not simply a transport system to Mars, it is not a bus travel to Mars. A space program is looking at the universe, and organizing a high-concentration, high-density, science-driver program, which is now feeding all scientific and technological progress of humanity in general.

LaRouche Speaks For America To Turkey's Leaders

by Muriel Mirak-Weissbach

On the list of victims of the Iraq War, Turkey occupies a position at the very top. Not only has the economy of the nation been smashed by the effects of the war, but its 50-year alliance with the United States has been severely undermined, if not shattered. Two of the leading chicken-hawks behind the war, Deputy Secretary of State Paul Wolfowitz and Defense Policy Board member Richard Perle, exerted massive pressure on this key Mediterranean NATO partner before the war, to force through acceptance of Washington's demand that 62,000 U.S. troops be allowed to transit Turkey into northern Iraq. Although the government of Recep Tayyip Erdogan buckled under the pressure, the Parliament, dominated by a hefty majority of the governing Justice and Development Party (AKP), rejected the demand outright. In response, the chicken-hawks cried foul play, and, in addition to withdrawing financial incentives, condemned the democratic decision of the Parliament. Wolfowitz chastised Turkey's military for not having forced the Parliament to play along; he told the Turks after the war, that the country should "apologize" for having refused Washington's bidding, and went on to threaten that Turkey would "disintegrate" if it were to fail to support the United States in an upcoming assault on Iran.

This imperial attitude struck a raw nerve in a country which, although tied by a firm alliance to the United States for a half-century, has a proud history of national sovereignty, safeguarded above all by its military establishment. Leaders of Turkey's political parties, military, and press responded to the arrogance of Wolfowitz and company, with a mixture of indignation and fear, but sought the means to fight back.

The most significant response came in the form of an invitation issued to Lyndon LaRouche, candidate for the Presidential nomination in the Democratic Party, to visit Turkey and address precisely these issues, in a series of encounters

with the country's elites. LaRouche's visit, June 13-18, shifted the mood in the country from pessimism to hope, that U.S.-Turkish relations can be repaired, not through Ankara's capitulation to imperial dictate, but through a fundamental shift inside the United States being spearheaded by LaRouche's campaign.

LaRouche Sets the Agenda

The leading Democrat and his wife, Helga Zepp-LaRouche, were invited to Turkey by *Yarin (Tomorrow)*, an independent monthly publication read by policymakers and intellectuals; it has a strong orientation to Eurasian development, and has hosted writings by LaRouche over the past year and a half. Burhan Metin and A. Altay Unaltay of *Yarin's* editorial board organized a major conference in Istanbul on June 14, co-sponsored by the Cultural Affairs Department of the Istanbul Municipality, on the theme "Eurasia: New Key for Global Development and Peace"; and another, on the same theme, hosted by the Ankara Chamber of Commerce, in the capital on June 16. LaRouche was the keynote speaker at both events. Among the 700 people attending the two were government ministers, members of Parliament, intellectuals, professors and students, and representatives of the media. In addition, LaRouche addressed the national press in a number of press conferences, and personal interviews, organized by *Yarin*, which generated widespread press coverage, for the duration of his stay, and afterward.

LaRouche set the agenda of his discussions, from his very first encounter with journalists, who welcomed him at the Istanbul airport for a short press conference. There, and in a short interview with Gürkan Zengin on CNN-Turk that evening, LaRouche stated that the current policy of the U.S. Administration was one drafted by Dick Cheney back in the early



At the Chamber of Commerce of the capital, Ankara—one of two major public presentations given by Lyndon LaRouche during his visit to Turkey—the U.S. Presidential pre-candidate is presented the gold Atatürk award by Sinan Aygün of the Chamber. More than 700 Turks attended the presentations, from government ministers to university students.

conducted according to the Constitution. “We have to create a political challenge in Congress,” which goes for impeachment, while preserving the institutions of government.

Once this junta is removed, LaRouche explained, the President, though “an idiot,” can be controlled by wiser advisors, and his policy shifted into a different direction. Regarding the Middle East, this means reversing the effect of what was done in Iraq, by pushing through implementation of the Road Map, “even if it means pulling down the Sharon government, which the U.S. can do, if necessary.” Once Constitutional government is re-established in Washington, LaRouche said, the key will be facing the economic crisis, with alternatives to impending chaos. Besides global monetary reform, what is required is Eurasian cooperation.

1990s, and implemented only thanks to the impact of the events of Sept. 11, 2001. Naming Defense Secretary Rumsfeld, Wolfowitz, Perle, Vice President Cheney’s Chief of Staff Lewis Libby, and others, LaRouche stressed that this is a small group of fascists, pushing an imperial policy, based on the threat and readiness to use nuclear weapons. He defined his task as to lead an impeachment drive, to remove Cheney, the leader of the “junta,” and the rest from power. While acknowledging international opposition to the Iraq War and the imperial policy, LaRouche emphasized that, since the United States is a nuclear power, the rest of the world cannot stop it. “It is necessary for us inside the United States,” he said in an interview to TV Channel 7, “to pull the string. This is now happening”—he pointed to moves by other political figures, from Brent Scowcroft to John W. Dean, to Lawrence Eagleburger, and leaders in the Senate and House of Representatives, in the same direction.

In discussion with the press at the Workers Party (PPI) office on June 16, LaRouche educated his interlocutors about the nature of the U.S. political system, explaining that although the Framers of the Constitution had established a Presidential system, with power in the hands of an elected President, still, in order to prevent that power from being abused, for example, to wage war, the Framers gave the Legislative branch the power of “advice and consent,” regarding war. The Iraq War, he said, “was prepared by lies by Cheney and others to the Congress; under U.S. law, any official of government who commits a lie to induce the nation to go to war, is guilty of the highest degree of crime.” Thus the impeachment drive,

Turkey a Eurasian Keystone Nation

To a question by TV Channel 7, regarding the perspectives for re-establishing the strategic partnership between Turkey and the United States, LaRouche answered that if he were President, there would be no problem. More broadly, he said, it is a question of “bringing together a community of nations, around agreement on common principles, not an imperial power.” Turkey, in the context of groups of nations geographically defined, “is a keystone nation,” which becomes clear when one glances at a map: It is the bridge between the Balkans, which have to be reconstructed, and Europe, on the one hand; on the other, it is a bridge to India and China. “Rail lines should connect Turkey to Iran and on to Malaysia through the ‘southern route’ of the Eurasian Land-Bridge.” In addition, Turkey will be key to solving the water crisis plaguing the entire region, a problem whose solution is a prerequisite to Middle East peace.

The long-term perspective for Eurasian development was the main focus of LaRouche’s keynote to the Ankara Chamber of Commerce conference on June 16. Here, he elaborated on the natural benefits to be derived by expanding Western European exports into the growing markets of Asia, the biggest in the world. LaRouche reported on progress towards several great projects in China, as well as rail connections on the Korean Peninsula, and growing cooperation between China and India, which he recently visited. Referencing Central and Northern Asia, LaRouche stressed the importance of finally developing the massive mineral resources there, as well as organizing water management and transport projects

over a 25-50 year period.

Emphasizing the importance of thinking in such a long term, as over two generations, LaRouche said what is involved is a fundamental change in economic relations. No longer will nations trade finished goods or raw materials, but, through the development of technologies, nations should reach a parity level, at which they can export technologies to each other, driving the productive powers of labor.

LaRouche elaborated on the role of Turkey throughout the various presentations and discussions during his visit, also from the historical point of view. Its identity as a nation, he said, was forged through the combination of its Ottoman heritage—characterized by the co-existence of different nationalities, religions, and ethnic groups—and the role of Mustafa Kemal Pasha (Ataturk), the founder of modern Turkey. Historically, Turkey has felt the influence of various cultures, from the Hittites, to the Persians, the Seljuks, the Arabs, and so forth. When the Ottoman Empire collapsed and the British moved in to carve up and divide it, Ataturk launched the struggle for independence, defeating the French and British forces of Sykes-Picot and establishing a modern, independent nation.

LaRouche expressed his admiration for Atatürk, as a military, political, and diplomatic leader, whose qualities can be understood only if one puts oneself inside his mind, when faced with the unprecedented crisis of all the countries around him—including Tsarist Russia, which was going through the Soviet Revolution. An important aspect of the work of Atatürk which is a valuable reference point for today, he explained, was the Turkish leader's close cooperation with King Amanullah of Afghanistan, and the Shah of Iran, in the 1920s, around the idea of regional economic cooperation.

A Profound Impact

The impact of LaRouche's visit was immediate and profound. He was the guest of Hulki Cevizoglu, the very popular host of the weekly "Ceviz Kabugu" television program on A-TV, on June 14. This, the number-one talk show in the country, is broadcast internationally via satellite, and is a favorite among Turks in Europe and the United States. In his three-hour, live nighttime discussion, LaRouche had an opportunity to develop the various themes of his visit at some length, explaining in detail how his plan to impeach Cheney will function, within American Constitutional institutions. LaRouche answered questions about the internal U.S. situation; the role of Leo Strauss in grooming the neo-conservative faction of war-mongers; and he explored problems of the immediate area: the destabilization of Iran, being promoted, LaRouche said, by U.S. intelligence agents; the deteriorating situations in Afghanistan and Iraq; and the danger of the formation of a Kurdish entity in Iraq.

Viewers called in to ask about the background of Osama bin Laden; the relations of U.S. circles to Saddam Hussein;

the history of Iran-Contra; the orchestration of the World Wars of the last century; the French-German alliance against the unilateral U.S. war drive; the role of the Council on Foreign Relations, which had recently met, secretly, in Turkey; and so on. As the wide-ranging discussion ended, TV host Cevizoglu expressed his hope that LaRouche would attain the public office he seeks, and added that Turkey should draw lessons from LaRouche.

The Presidential candidate's appearance on the show was picked up with enthusiasm in Europe and the United States, as indicated by a flurry of telephone calls and e-mails into offices of his campaign. At the same time, the Turkish press began to report on LaRouche's trip, nationally and abroad. Thus, by the time the candidate had arrived at the Ankara Chamber of Commerce on June 16, for his second major conference, he opened his speech with remarks about the international response to his visit. In answer to a question, later, about his reaction to Wolfowitz's demand that Turkey apologize for not joining the United States in the Iraq War, LaRouche said, "Since I've arrived in Turkey, I can assure you that all levels of the American government know what I've said here." In Washington, he said, "there are fits, or there is laughter. The military are laughing." On the specific question, he stated outright: "I don't think Turkey has to say anything," and added that *he* was saying what the U.S. position *should* be. "What Wolfowitz did," he said, "was shameful, an embarrassment to the United States." This was greeted by enthusiastic applause.

Candidate for President

One reason for the extraordinary amount of media attention dedicated to LaRouche lies, certainly, in the fact that he is a leading candidate for the Presidential nomination in the Democratic Party. As indicated both in public events and private discussions, LaRouche's status as a candidate is being taken deadly seriously. Again and again, he was asked what his chances were, if his age would be a factor, and how he could hope to succeed without the support of the "Zionist lobby." LaRouche explained that, despite his 80 years, he is in "vigorous health" and enjoys a genetic advantage, coming from a family characterized by its longevity. So, if elected, he would be an effective President. Furthermore, he stated, "despite my shortcomings, there is no credible alternative." As for the Zionist lobby, LaRouche dismissed it as "a myth," explaining its history as "not a power which controls the U.S., but a tool of forces in the U.S. and Britain."

Just prior to his departure from the airport on June 18, LaRouche told "Istanbul TV" that he was "almost certain" he would win. "Everything is for it, and against my rivals." The situation has been degenerating since 1964, from "worse to worst," and "now is the time for change."

Most important, LaRouche stressed repeatedly, is that it is not what he hopes to achieve in 2005 that counts, but what

he is doing *now*, to alter world politics. It is this aspect of LaRouche's self-presentation, which most impressed his listeners, and which shifted their attitude from pessimism, to optimism. To understand this, one must appreciate the extent to which the recent war against Iraq, and the policy it expresses, have generated fear among the nations of the world. LaRouche addressed this question, repeatedly, head-on.

In his keynote speech to the Istanbul conference, he said that most governments are terrified of the American nuclear power, and no one will defy it; rather, governments seek to make sovereign decisions "that will be allowed." Thus, there is no sovereignty, but only imperial proclivity. Fear of the United States, he said, is the greatest single threat to humanity today. In this context, LaRouche defined his role as creating a new situation among states, which will meet and agree to do things in concert—specifically, agree to concrete economic cooperation. My responsibility, he said, is to take the United States as a political leading power, to tell the rest of the world to stop being slaves. If they join me, as sovereign republics around the common principle of the common good, we can succeed.

Two other speakers, who had been invited to offer comments on LaRouche's keynote, expressed two contrary approaches to the issue. Dr. Numan Kurtulmas, of the Faculty of Economics at Istanbul University, and member of the central committee of the Saadet Party, welcomed LaRouche's "important message," and expressed agreement with the candidate's view that President Bush had been manipulated by a small group of neo-cons after Sept. 11, 2001. The Turkish economist also shared LaRouche's analysis of the economic breakdown crisis, and stated that, in the wake of the disastrous Iraq War, "we have to push economic integration, with common projects, for example, water management." He said he believed that, given the deteriorating world economy, either the situation would further degenerate into regional wars and nuclear wars, "or the U.S. must set up a meaningful relationship with Asia and Africa, which is also in the interest of the West." Here, he suggested that the United States should start with Turkey, which could become an "advisor" because of its relations with the Islamic and Arab world. In conclusion, he urged the conference to "make LaRouche's voice heard."

A contrary viewpoint came from the second speaker, Prof. Dr. Mahir Kaynak, from the Faculty of Economics at Gazi University in Ankara. Though sharing LaRouche's view of the economy, he proposed that Turkey become a partner of the United States in establishing military dominance, as a means of "preventing war." This sparked a hefty debate in the audience, especially among students.



LaRouche is interviewed on CNN Turkey by host Gürkan Zengin, on June 13, the day of his arrival in Turkey; part of the very wide coverage his visit received.

The Regional Cauldron

What the United States is or becomes, will indeed determine what future Turkey will face, as literally every person who came into contact with LaRouche would confirm. The regional context is nothing short of explosive. Iraq, LaRouche told the Chamber of Commerce, will continue to get more intense, and will become "a Vietnam in the desert." The war, from the beginning, was a case of incompetence in the extreme, under the "pathological" will of Rumsfeld, LaRouche said. The intention was to draw Turkey into the conflict, through the Kurdish problem in northern Iraq, which would be perceived as a threat to Turkey. LaRouche said it was Turkey's "wisdom" not to get drawn in, as it is in the country's vital interest not to have war with Iraq.

Asked what his policy as President would be vis-à-vis Iraq, LaRouche replied that he would go to the United Nations. Now that the United States is the occupying power, it has the responsibility to the population, to create a situation whereby it can choose its own government. This has to be done by the UN, not the United States, largely because Washington does not have the forces required to do the job of re-establishing all functions of civilian life. LaRouche again stressed the importance of implementing the Mideast Road Map, so as to "end the nightmare" and create the preconditions for a group of nations to help solve the Iraq problem. One prerequisite for this, is the removal of Paul Bremer, the current proconsul in the country. "Get the U.S. out, and get Bremer out," said LaRouche. "He is a menace."

As the Iraq situation deteriorates, the same forces responsible for the war are pressuring Turkey to support an attack of some nature against Iran. In private discussions, Turkish political figures reported on a pro-American media campaign, pushing for Turkish involvement against Iran. It is mooted that the chicken-hawks could exploit the Azerbaijan problem:

By organizing a provocation, they could unleash conflict in the Azeri part of Iran, then call on Turkey to intervene, to protect its “Turkish brothers.” There are even those who are offering Turkey a piece of the Azeri pie, in the event of a disintegration of Iran.

LaRouche’s response was that, although some countries would object, none, except perhaps nuclear power Russia, would move against the United States in an extreme case. Therefore, again, the solution lies in changing the political equation in Washington. There is no doubt, the candidate said, that the unrest inside Iran is being fomented by U.S. agents, in collusion with the young Shah, to create a pretext for American intervention. The actual motive, he said, is to force Russia into a confrontation with Iran, over the issue of Iran’s nuclear program. The ultimate aim is a showdown with Russia, then China and India. Therefore, the Iran destabilization must be stopped, now.

The Next U.S. President?

Throughout the course of his visit, LaRouche received a warm reception, and multiple gestures of gratitude from his hosts, which all expressed the same idea—that he should become the next man to occupy the White House. In introductory remarks to the Ankara conference, Chamber of Commerce President Sinan Aygün said he was “more than honored” to introduce the candidate, whose views on the economy and the need for new alternatives, he shared. Aygün reported to the audience, that in a private discussion with LaRouche before the conference, he had discovered the deep convergence of ideas. In conclusion, he said, “I hope that in 2004 you get to become President,” and, with a touch of humor, added, “I want you to vow now, that, if you do, you will not forget Turkey, but will come back again.”

Significantly, among the honors bestowed on LaRouche, was a gold Atatürk medal, presented at the opening of the conference. Similar gestures of respect were made in a number of private discussions LaRouche conducted with senior military and political figures. Among them were former Prime Minister Ecmettin Erbakan, who was in office in 1996-97; former President Suleyman Demirel (1993-2000); Members of Parliament from the governing AKP party; leaders of the PPI; and others.

It was not only on the official level, that Turks expressed their wish for LaRouche to succeed. One student intervened at the Ankara conference, to say he had planned to go to the United States to take his master’s degree, but then decided against it, in protest against the current administration. “But if you are elected,” he said, “I think I’ll reconsider.” Coming out of a private political meeting, LaRouche was greeted by a young secretary, who said, “Good luck in your campaign, Mr. LaRouche; I hope you win. We need you!” And, at a farewell dinner, the candidate was greeted by a waiter, who, having seen him on TV, also cast his vote.

Tony Blair’s ‘Great Deception’ Unmasked

by Mark Burdman

In the ten days following the heated June 4 British House of Commons debate on whether the Tony Blair government had falsified intelligence about Iraqi weapons of mass destruction, in order to manipulate Britain into joining the United States in war against Iraq, Blair and his entourage, as well as compliant elements of the British media, went into a total mobilization, to bury the issue.

The line went out, that “Blair had weathered the storm,” that concern over the matter was “dying out,” and that “weapons will inevitably be found.” The government launched a series of high-profile diversionary political maneuvers, including a substanceless “declaration of policy” about Britain’s orientation toward the euro currency, and a clumsily implemented reshuffle of Blair’s Cabinet, to draw attention away from the Iraqi WMD matter.

By mid-month, however, it was clear, that the June 4 debate had only been the first shot, in a political-intelligence war that is entering a bitter new phase.

This reality was underscored by stories in the widely read June 15 Sunday weeklies. Under the headline, “Iraqi Mobile Labs Nothing To Do With Germ Warfare, Report Finds,” the *Observer* asserted that “an official British investigation into two trailers found in northern Iraq has concluded they are not mobile germ warfare labs, as was claimed by Tony Blair and President George Bush, but were for the production of hydrogen to fill artillery balloons, as the Iraqis have continued to insist.” The paper affirmed that this finding is “hugely embarrassing for Blair,” not only because he “justified the case for going to war” against Iraq based on such WMD claims, but because this hydrogen-producing system had been sold to the Iraqi Army, by Britain’s own Marconi Command & Control firm!

The *Observer*, close to Blair’s “New Labour,” had been editorially supportive of war against Iraq. A paper that had been even more strongly for the war, Rupert Murdoch’s *Sunday Times*, had further devastating information for Blair, on June 15.

Under the headline, “Weapons Hunters Watch Movies as Trail Goes Cold,” Baghdad correspondent Christina Lamb reported that “specialist search teams in Iraq” have run out of places to look for weapons of mass destruction, and are spending their time, as one “disgruntled” such specialist put

it, “mostly sitting around watching DVDs and doing laundry.” Lamb wrote: “A senior British official in the new Iraq administration has told Alastair Campbell, the Prime Minister’s director of communications, that a ‘backlash’ is likely as it becomes increasingly clear that, if Saddam Hussein did have chemical or biological weapons, nobody knows where to find them.”

Such reports are having yet greater effect, because the British media are filled with reports on the disastrous situation on the ground in Iraq. While much of the coverage, not without justification, is attacking the American administration in Iraq for creating a “shambles” there, there is also a growing recognition that the situation in the British occupation zones, in and around Basra in southern Iraq, is hardly better. This is fuelling anger against Blair, and, according to *EIR*’s sources in Britain, the scandal over “Iraqi WMD,” is the main channel by which this anger is being expressed, by top levels of the British military and intelligence services.

Echoes of Mark Antony

On June 17, Blair was dealt a severe blow, when two former members of his Cabinet—International Development Secretary Clare Short, and House of Commons party leader, recently Foreign Secretary, Robin Cook, testified before the House of Commons All-Party Select Foreign Affairs Committee, and systematically exposed how Blair had lied and obfuscated to get Britain into war. The London *Independent*’s lead article on June 18 was headlined, “Exposed: Blair, Iraq and the Great Deception.” The *Times*’ editorial-page cartoon showed Short and Cook preparing their testimony, with the caption, “Weapons of Blair Destruction.” Underneath it, an acerbic op-ed by writer Simon Jenkins was entitled, “This Parody of a Banana Republic Led by a Monkey.”

Short, who resigned in May in protest against the war, made a devastating attack, using a method that was evidently lifted from Shakespeare’s *Julius Caesar*, in the famous speech by Mark Antony in Act 3, Scene 2. Beginning with the words, “Friends, Romans, countrymen,” Mark Antony turns the tables on Brutus and the co-conspirators who murdered Julius Caesar, by constantly, and ironically, referring to Brutus as “honorable.” By the end of the oration, the Roman mob, which had initially expressed its love for Brutus, was whipped up into a frenzy, to hang him.

In her testimony, Short charged that Blair and “his close entourage” had used “a series of half-truths, exaggerations, reassurances that were not the case, to get us into conflict by the Spring.” She revealed that she had seen raw intelligence reports, and was briefed repeatedly by the MI-6 foreign intelligence service and the Defence Intelligence Staff before the war, and that there was no indication of any alarm about Iraqi weapons.

Short said: “I believe that the Prime Minister must have concluded that it was honorable and desirable to back the U.S., in going for military action in Iraq, and therefore, it was

honorable for him to persuade us through various ruses and ways to get us there—so for him, I think it was an honorable deception.”

No educated Briton listening to or reading this testimony, could miss the point.

Such “honorable deception,” Short insisted, goes a long way to explaining the “chaos” now unfolding, on the ground, in occupied Iraq, as it is obvious, that no adequate preparations were made for dealing with the post-war situation.

Short also lambasted the second “Iraqi weapons dossier” issued by the Prime Minister’s office at 10 Downing Street. This has become known as “the dodgy dossier,” because, after its release in February 2003, and after it was effusively praised by U.S. Secretary of State Colin Powell, it was revealed that the material in it was lifted from a 12-year-old PhD thesis, and that information in that thesis was twisted, to exaggerate the Iraqi threat. Said Short: “To think that in the run-up to a declaration of war, where people’s lives are at stake, to lift a prior PhD thesis, and to distort it. . . . I think it is shocking.”

‘No Weapons of Mass Destruction’

Cook, who resigned as Leader of the House of Commons in March, in protest against the Iraq war before the war broke out, told the Committee: “I fear the fundamental problem is that instead of using intelligence as evidence on which to base a decision about policy, we used intelligence as the basis on which to justify a policy on which we had already settled.” He called this a “grievous error.”

Cook further said he believed Saddam “did not have an immediate threat capability” in the run-up to the war, and he doubted whether investigators would find evidence of substantial chemical and biological arms programs in Iraq, asserting, “Such weapons require substantial industrial plant and a large workforce. It is inconceivable that both could have been kept concealed for the two months we have been in occupation of Iraq.”

Having seen all intelligence reports on Iraq between 1997 and 2001, Cook revealed that concerns about Iraq had eased to such an extent, in the late 1990s, that Britain considered “closing the files,” on Saddam’s nuclear and long-range missiles programs.

Cook also revealed that he had met the chairman of the Joint Intelligence Committee (JIC), who coordinates all intelligence for the Prime Minister. Said Cook, referring to this meeting: “I heard nothing to contradict anything I said in my resignation statement, that Iraq does not have weapons of mass destruction, in the understood sense of the term.” That contention on his part had come “almost word for word” from a member of MI-6, he declared.

Cook estimated that Blair acted in “good faith,” but was somehow misled. It is not to be excluded that he, like Short, meant that ironically. It is the season now, in Britain, where “the knives are out.”

U.S. Pressures India To Send Troops to Iraq

by Ramtanu Maitra

There exist convincing indications that in recent weeks Washington has stepped up a diplomatic offensive to drag India into the Iraq quagmire. On June 15, a Pentagon team, led by Peter Rodman, Assistant Secretary of Defense for International Security Affairs (ISA), arrived in New Delhi armed with arguments to convince the government that it is necessary for India to send troops to Iraq and help the U.S.-U.K. troops to stabilize that country. From available media reports, it is evident that New Delhi has remained undecided but, at the same time, is making efforts to satisfy the Bush Administration.

To stave off the Yankees, at least temporarily, the Indian leadership has made known its anxieties over troop deployment. External Affairs Minister Yashwant Sinha told reporters on June 15 that the Indian government will take part in consultations with other countries in Iraq's neighborhood in order to "take appropriate decisions as necessary."

Meanwhile, Prime Minister Atal Behari Vajpayee met with Mrs. Sonia Gandhi, president of the Indian National Congress, the main opposition party, on June 15. On June 4, Mrs. Gandhi had written to the Prime Minister expressing the Congress Party's concerns over the troop deployment in Iraq. Later, Congress Party chairman of the foreign policy cell, K. Natwar Singh, told reporters that Congress has suggested to the governing coalition, led by the Bharatiya Janata Party (BJP), that it should consult other political parties as well as "important countries in the region."

Impatient Washington

Meanwhile, some powerful forces based in the Pentagon and associated with U.S. Defense Secretary Donald Rumsfeld and such neo-conservatives as Doug Feith, Paul Wolfowitz, and David Wurmser, are in no mood to wait and watch. They have already moved to forge a group in India in favor of deploying Indian troops. This lobby is led by Deputy Prime Minister and Home Minister Lal Kishenchand Advani; National Security Advisor and Principal Secretary to Prime Minister Brajesh Mishra; and the pro-U.S., pro-Israel faction within India's intelligence services. In fact, the entire pro-deployment faction enjoys the blessings of the Israeli and American lobby within India.

Both Mishra and Advani were in Washington recently; Mishra came in early May, while Advani embarked on June 8 on a week-long jaunt to drum up support within the Indian

community in the United States. On record, however, Advani remains cautious. *The Statesman* on May 30 indicated that Brajesh Mishra has already promised Washington on troop deployment. Advani—who had told the media that the opposition to deploying troops, "without all the facts, gave their one-sided opinion that sending troops to Iraq is wrong"—is a quintessential politician and would not commit himself fully without having a clear reading which way public opinion is going. Moreover, he would be careful not to antagonize his boss with any categorical statement. That is why, when Rumsfeld "dropped by" to see Advani at his Washington hotel, he reportedly told Rumsfeld that the "matter is under consideration" and that "a decision will be taken after taking all aspects into account."

Nonetheless, Washington has read Advani carefully between the lines, noting his statement that "the opposition does not have all the facts." In came Rodman, whose boss is the hawkish Undersecretary for Defense Policy Doug Feith, with his military delegation to brief the Indians about the conditions in Iraq. Besides meeting the Indian delegation led by B.S. Prakash, a bureaucrat, Rodman also met with Mishra and Foreign Secretary Kanwal Sibal.

A part of the offensive is led by U.S. Ambassador to India Robert Blackwill. Blackwill, who has resigned as ambassador to take up a teaching position at Harvard next Fall, has tried to assure the nay-sayers, promising that "if the Indian troops were deployed, they would do so under the Indian flag." In addition, Blackwill claimed that the United States has embarked upon a process to "strengthen political, economic, and military-to-military relations with those Asian states that share our democratic values and national interests." "That spells India," argued Blackwill, who is also a close friend of Advani and strong advocate of a U.S.-India alliance.

Meanwhile, the pro-deployment faction within Indian intelligence has leaked to the media, that the U.S. aims to put Indian troops in charge of law and order and internal security in the Kurdish north, where there has been no resistance from Ba'athist remnants. This would allow U.S. troops to redeploy to central Iraqi areas where there is Ba'athist resistance. It is further reported that Pakistani troops would be asked to assist the U.S., in search and destroy missions against the resistance.

The 'Reconstruction' Carrot

Washington's carrot to entice the Indian leaders, and to which Mishra, Advani, and some others have already got attracted, has a number of components.

To begin with, India is convinced that the United States has no desire to leave Iraq soon. The post-war reconstruction and modernizing of the semi-functional oil fields will be carried out under the U.S. control. Washington will hire sub-contractors from the region, to get the physical work done, and New Delhi is aware that those who comply with America's Iraq policy would be the chief beneficiaries. Some Indian media suggest that the United States has promised India a

share in the spoils.

The *Times of India*, based on an interview with Blackwill in May, reported that the United States is holding out the carrot of a “major role” in the post-war reconstruction. Both the Indian External Affairs Ministry and the U.S. Embassy quickly denied the report. At the same time, the Federation of Indian Chambers of Commerce and Industry (FICCI) held a seminar in Baghdad recently and issued a statement saying the Indian businessmen in India, as well as in the Persian Gulf, are hoping for a share in the lucrative Iraq reconstruction work. One FICCI official said that while the big reconstruction work is sure to go to U.S. companies, “the subcontracting would come to India.”

Another component, which Mishra and Advani represent, calls for a stronger India-U.S. alliance to fight the war against terrorism. This faction continues to flail the dead horse—otherwise known as “American efforts to stop Pakistani cross-border terrorism in the disputed state of Jammu and Kashmir, carried out to bleed India.” This faction claims that the United States is keen to befriend India, even at the cost of deserting its old Cold War ally Pakistan. Their argument suggests that the Pentagon, driven by its worries of an emerging powerful China, is ready to help India, in order to make India a strong ally.

The third component is the military-to-military cooperation. Once a victim of America’s Cold War policies, the Indian military now longs for U.S. arms and military technologies. Last year, 750 U.S. Navy personnel joined the Indian Navy in the Arabian Sea, for what was described as the largest-ever bilateral exercise, meant to increase operational compatibility between them. In May 2002, both armies held a major joint exercise—Balance Iroquois—in the northern Indian city of Agra. This faction within the Indian defense establishment would like to appease the Americans and support sending Indian troops to Iraq.

Consultations with China and Russia

While there is no denying that Rumsfeld and others have clubbed together a pro-deployment lobby at a very high level of Indian policymakers, the battle is yet to be won. The opposition to deployment remains a strong current, as the issue has become politically charged.

On June 22, Vajpayee will travel to China on a six-day tour. The visit is of great importance, since Vajpayee will be the first Indian prime minister to visit China in a decade. During these ten years, the world has changed significantly, and perhaps, China has changed even more. But during those years the India-China relationship has shifted from one of veritable animosity to friendship. Whereas its fruits are yet to mature, there are indications that, particularly since the Iraq War, the India-China relationship has now the potential to go beyond simple economic cooperation, to include the necessity to maintain security in the region. In May, just before announcing fresh talks with Pakistan to settle disputes, Prime

Minister Vajpayee had acknowledged that the Iraq War has changed the world situation once more.

India and China will certainly discuss the fall-out of the Iraq War at the highest level. It is also expected that the summit between these two Asian giants, may decide for India to deploy the troops under the U.S. occupation, or only under UN auspices. New Delhi does recognize the breakdown of law and order in Iraq, and would like to help. Earlier, New Delhi had made it clear that Indian troops will participate in Iraq as a part of a UN peacekeeping force.

Meanwhile, Russian Foreign Minister Igor Ivanov, who was in Delhi on June 16, made it known that Russia is concerned about the ramifications of having India send soldiers to keep the peace in Iraq outside of the United Nations umbrella. Ivanov told Indian Defense Minister George Fernandes, “It is the sovereign right of any country to decide whether to send troops to Iraq, but I can say quite categorically that Russia is not planning to send any soldiers there.” Ivanov’s statement on behalf of Russia, which has been a longtime, all-weather friend of India’s, will not go unnoticed.

Critics Articulate Their Arguments

The opponents of the troop deployment have expressed a number of their concerns. Some of these concerns have been articulated by former Chief of Staff Gen. V.P. Malik in a recent article. Malik wants to know: What will be the exact

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nature of the mission? What is the scope and involvement of Indian personnel in Iraq? What will be the rules of engagement? What legal cover will the force personnel have for performing their duties? Will the mission involve maintenance of law and order, maintaining internal security, or prospects of confronting any guerrilla forces? What will exactly be the political and military chain of command and control? And, will Indian forces have adequate authority for the safety and security of their personnel?

There also exists strong opposition from political opponents, as well as the majority of Indian citizens. Objections have been raised on moral grounds, due to the widely perceived illegitimacy of the U.S.-U.K. invasion and occupation of Iraq, even though the UN subsequently provided a fig leaf to the *fait accompli*.

Moreover, the anti-Iran dimension of the U.S. operation in Iraq worries the critics of Indian troop deployment: India has a strong association with Iran, and the presence of Indian troops on Iran's borders, at a juncture when Washington is provoking Iran, could adversely affect Tehran's relations with Delhi. It is widely acknowledged that the India-Iran relationship goes far beyond economic interests, and that it subsumes common strategic objectives. Anti-troop deployment forces also claim that unwise association with unwise U.S. operations in Iraq, under whatever cover, can cause irreparable damage to the relations with Tehran.

Opponents also note that the Indian Parliament had unanimously opposed the U.S. invasion, echoing the sentiments of the vast majority of Indians. Moreover, there also flows in India a strong current of belief that Washington's war against Iraq is far from being over and is now in its second phase. Therefore, presence of Indian troops will inevitably force New Delhi to side with the Americans against the Iraqis. Many senior Indian analysts believe that the Iraqi opposition may soon gel into a "nationalist guerrilla force" against the occupiers. A majority of Indians also believe that the prolonged Anglo-American presence in Iraq is not for the purpose of installing a government of the Iraqis' choice, but one of America's choice. To put it succinctly, most Indians believe that to help the American and the British occupying forces at this juncture is tantamount to supporting a colonial force.

There is a further concern, having to do with domestic sectarian strife, that New Delhi must consider before deploying troops to Iraq: Several Muslim groups within and outside of India have identified the BJP's role—and particularly that of Advani—in the Hindu fanatics' demolition of the Babri Mosque in Ayodhya in 1995, whose site is holy to the Hindus. That vicious act has further alienated India's large Muslim minority from the Hindus. Critics of troop deployment believe that sending troops to quell Iraqi nationalist forces, would further convince Indians of the anti-Muslim and fascist motives in the BJP's domestic and foreign policymaking apparatus.

ASEAN Warns U.S. On Myanmar Sanctions

by Mike Billington

Association of Southeast Asian Nations (ASEAN) Secretary General Ong Keng Yong, a Singaporean, issued a very strongly worded statement on June 14 against calls for sanctions and other measures against Myanmar, coming from the United States and others in the past weeks. Ong warned that the effort would severely injure the peace and security of the region, including China and India. "The situation there should not be allowed to develop into an ugly confrontation, that will destabilize the situation in Southeast Asia," Ong said. As he noted, Myanmar has ten distinct communities and 100 linguistic groups, and could become "another Yugoslavia, multiplied many times over." India "will never allow any destabilization of the Indian Ocean, while China will never allow a deterioration south of its border, where there are many ethnic communities." He indicated that he did not want to "confront" U.S. Secretary of State Colin Powell "or anyone else critical of Myanmar, but I just want to state the facts."

Powell Raises Sanctions Threat

The new drive to confront the military regime in Myanmar was provoked by a bloody confrontation between a pro-government crowd and the entourage of opposition leader Aung San Suu Kyi in a northern Myanmar town on May 30, during one of Suu Kyi's campaign tours of the country. Four people were killed and dozens injured in the melee.

Suu Kyi has been permitted fairly unrestrained travelling rights for several months—one of the signs of slow but steady progress towards reconciliation in the country. The reconciliation has been significantly aided by the work of UN Special Envoy Razali Ismail, who has made several visits to Myanmar over the past few years.

The new confrontation, still murky in its details, put a sudden halt to the process. Suu Kyi and other leaders of her National League for Democracy (NLD) have been held in protective custody since the May 30 event. Razali nonetheless conducted a partially successful five-day visit in June, which included a half-hour meeting with Suu Kyi. Razali said that he was "quite disturbed" by the visit, but assured the world that Suu Kyi was unharmed and in good spirits, and that he had won a pledge from the government that she would be released soon.

The threat of sanctions took on a more serious tone when Secretary Powell placed a commentary in the June 12 *Wall Street Journal*, denouncing the military government in Myanmar and shifting official U.S. government policy toward support for the most extreme anti-Myanmar (and anti-China) fanatics in the Congress. Powell wrote that the “thugs who now rule Burma” (the name still used by the opposition in Myanmar) have failed in their pledge to move towards democracy. He said the Administration would support aspects of the Burmese Freedom and Democracy Act of 2003, authored by Senators Mitch McConnell (R-Ky.), John McCain (R-Ariz.), and Tom Lantos (D-Calif.), three of the leading neo-conservative warhawks who promote the preemptive, unilateral war policy transforming the United States into an imperial tyrant.

The legislation is also backed by Lantos’ fellow California Democrat Dianne Feinstein, and others of the “Project Democracy” liberal imperialist mold, associated with the “Burma Project,” the non-governmental organization financed by speculator and drug-legalizer George Soros, which is one of the guiding hands behind the effort to destabilize Myanmar and the region.

The Act calls for freezing financial assets of the junta; banning all remittances to Myanmar in order to cut into their foreign exchange; placing restrictions on “travel-related transactions,” and limiting commerce with the country. McConnell and Feinstein even called, on June 18, for the expulsion of Ambassador Linn Myaing, the Ambassador of the Union of Myanmar to Washington. Although such a move is highly unlikely, the suggestion coming from U.S. Senators will cause further instability, and anti-American sentiment, throughout the region.

Secretary Powell, showing an uncharacteristic “undiplomatic” tone in his attack on the junta, announced that he would force the question at the pre-scheduled ASEAN Regional Forum meeting in Phnom Penh on June 18. The leaders of the ten ASEAN nations then took measures to “judo” the threat, while also creating conditions for finding a more productive solution to the crisis within Myanmar.

A Target Is China

Secretary Ong Keng Yong’s statement expressed the concern in ASEAN that the threats to punish Myanmar, despite the possibly sincere intentions of some of those involved, would create a broader destabilization of Asia.

That this is the *intent* of some forces in the West, was

demonstrated by an editorial in the favorite outlet of the neo-conservatives, the *Wall Street Journal*, on June 9. The reason the junta in Yangon is ignoring the cries from around the world to turn the country over to Aung San Suu Kyi, said the editorial, is that “the generals know they have a ‘fraternal ally’ in Beijing.” The *Journal* complained that China is the “only supplier of large-scale economic assistance, from telephone exchanges to roads, bridges, and port facilities.” And its editors even put out the claim that India has been forced—supposedly out of fear of China’s military presence in the region—to drop its support for Aung San Suu Kyi, and to back the generals.

The *Journal* concluded: “China’s attitude toward Burma is of a piece with its lack of pressure on North Korea, another rogue regime. . . . Until it stops protecting tyrants in its neighborhood, China won’t be respected as a civilized world power.” The neo-conservative drive for a Clash of Civilizations, as peddled by the *Wall Street Journal*, could hardly be stated more clearly.

It is telling that on the same day, June 9, the *Journal*’s editor emeritus, Robert L. Bartley, published a diatribe against Presidential candidate and *EIR* Founding Editor Lyndon LaRouche, who has successfully exposed the fascist roots of the neo-conservative faction driving the United States to war and empire. Bartley admitted that he is himself intimately connected to the Straussian circles which make up the neo-conservative stable, and screamed that the likes of the *New York Times* and the *New Yorker* must stop making “common cause with Lyndon LaRouche.”

ASEAN Pre-Empts the Threat

In the face of a potential confrontation with the United States and others at the June 18 ASEAN Regional Forum (ARF) over the Myanmar issue, the ten ASEAN foreign ministers, meeting at the June 16-17 ASEAN Ministerial Meeting, chose to break from the traditional ASEAN ban on discussing of the internal affairs of member states. However, they did so only with the express agreement of the Myanmar Foreign Minister Win Aung, and with the clear intent of preempting any confrontation with the Western representatives who participate in ARF.

Foreign Minister Win Aung explained that the detention of Aung San Suu Kyi was due to the reports of assassination threats against the opposition leader, which would be blamed on the junta if it were not prevented. He assured his fellow foreign ministers that she would be released soon.

The final ASEAN Joint Communiqué stated: “We discussed the recent political developments in Myanmar, particularly the incident of 30 May, 2003. We noted the efforts of the Government of Myanmar to promote peace and development. In this connection, we urged Myanmar to resume its efforts of national reconciliation and dialogue among all parties concerned, leading to a peaceful transition to democracy. We welcomed the assurances given by

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Myanmar that the measures taken following the incident were temporary, and we looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members.”

In other words, ASEAN will not play the destabilization game. Nonetheless, this call for progress towards democracy within Myanmar demonstrated ASEAN’s intent to work for a solution, and allowed Secretary Powell to express his approval of the ASEAN approach to the issue.

In a concluding irony, the ministers of the ARF nations “welcomed the offer of Myanmar and China to co-chair the Inter-Sessional Group on Confidence-Building Measures in the next inter-sessional year.”

Reconciliation Is Urgent for the Region

Hassan Wirayuda, the Foreign Minister of Indonesia, was reported to have proposed that an ASEAN Ministerial delegation visit Myanmar. Such a delegation, if approved by the Yangon government, might help to bring a resolution to the political crisis, but would undoubtedly also address the issues which are far more pressing to all the ASEAN nations—building regional economic development as the necessary response to the collapsing dollar and to U.S. imperial threats.

Myanmar represents a crucial crossroad for the great infrastructure projects now coming to fruition in Southeast Asia, including the Greater Mekong Subregion (GMS) project, which is extending rail connections westward to India through Myanmar; the East-West Road connecting Bangkok to India via Myanmar; and the North-South “Asian Railway” from Singapore to Kunming, which also passes through Myanmar on one of the two planned routes.

Some accommodation between the opposition and the military is urgent. Aung San Suu Kyi, whose father, Aung San, led the independence movement in Burma, must play a leading role in any solution. But, in the view of UN Envoy Razali Ismail, she must also be willing to learn, and change. Razali, who commands the greatest respect from all but the extremists in Washington, warned at a press conference in Bangkok, Thailand on June 14, after his visit to Yangon, that “if you hit too hard, the moderates or the pragmatists [in Myanmar] will be at a disadvantage.”

On Suu Kyi, Razali bluntly reported: “How to compromise, how to do things, how to endear herself to the military for a while tactically, she does not know how to do it. That’s the problem with Suu Kyi. She’s brilliant, she’s beautiful, but she’s very difficult, too.”

American Congressional yahoo Mitch McConnell, the author of the Burmese Freedom and Democracy Act, and an elected official who appears unwilling to hear anything that doesn’t fit his preconceptions, responded to Razali: “In the future, it might behoove Razali to temper his enthusiastic comments to more accurately reflect the climate of fear in Burma.”

Mexico

LaRouche’s Friend Wins Debate in Nuevo León

by Zaid Jaloma

The political battle against U.S. Vice President Dick Cheney and his chicken-hawk faction in Washington, became one of the central issues of the June 16 televised debate among the seven candidates for governor of Nuevo León state in Mexico. The candidate of the Social Alliance Party (PAS), Benjamín Castro—also a leader of the LaRouche-associated Ibero-American Solidarity Movement—placed the fight between U.S. Presidential candidate LaRouche and Cheney, as a key questions affecting the security of Mexico. “The main problem of Nuevo León and of Mexico is the war party within the U.S. government, headed by Dick Cheney,” said Castro at the beginning of the debate, adding, “We should back the efforts of Democratic candidate Lyndon LaRouche, my personal friend, and of other forces in the United States, to oust Cheney.”

Castro analyzed the other main security problems affecting the state, pointing to the serious problems of the drug trade and those who promote its legalization. Castro insisted that the drug trade should be attacked, with the firm support of the Mexican Army—especially from the standpoint of drug money laundering.

His rivals had barely assimilated his first statements, when Castro elaborated his educational platform, which generated a great deal of commentary. He called for “launching a movement for Classical culture . . . to educate our children in science and advanced technology, in nuclear science, in genetic engineering to defeat epidemics. . . . But we must also beautify their souls with Beethoven, Mozart, and Cervantes. . . . We are going to teach them to have a mission in this life: Building a nation, that is their mission.”

‘He Let Them All Have It’

In this, the only televised debate to include all the candidates in Nuevo León’s July 6 gubernatorial election, as throughout the electoral campaign, Castro has been the only candidate to establish a reality principle. He not only succeeded in blowing apart all the localist fantasies peddled by his rivals, but his candidacy garnered third place, according to the polls following the debate, including one conducted by SABA Consultores.

Perhaps the best expression of Castro’s impact appeared in the popular newspaper *El Regio*, whose June 17 evaluation

of the debate stated, “The one who shone was PAS candidate Benjamín Castro, in denouncing the waves of economic aggression against Mexico by large U.S. companies. . . . He let everyone have it—the Mexican government, the U.S. government—and he covered a lot of ground and made people look favorably on him, since few knew him before the TV debate.”

Castro had not only to battle the adversity of the majority of the media of Monterrey, Nuevo León’s capital, but also to break through the perverse manipulations of the very political party for which he is the official candidate. It has completely cut off his campaign funding, due to pressure from forces in Washington disturbed by the way a friend of LaRouche’s has been able to define the political agenda of the election.

Castro’s influence began to be felt from the very launching of the campaign months ago, through posters and banners displayed throughout most of the metropolitan area of Monterrey, as well as his television advertisements, which have had a strong impact on the population. In his literature and in his speeches, Castro has repeatedly pointed to the threat to Mexico’s Burgos Basin gas reserves by the Cheney-linked Halliburton, Inc. and other members of the “Houston Cartel,” as well as the importance of developing the Great American Desert—which extends from northern Mexico to the U.S. Southeast—by means of great infrastructure projects that the United States and Mexico could jointly construct.

‘You Must Detox From Soccer’

Following his statements on security and education, Castro turned his attention to the issue of employment and the economy. This third intervention substantially altered the speeches by the other candidates. Castro argued that “the next governor of Nuevo León, no matter who he is, will be governing a bankrupt state. . . . It is a systemic crisis, and we have to face up to it, like it or not. . . . Instead of cutbacks, suspending projects, and laying off people, I propose that we promote major instructional projects . . . to link Nuevo León and Mexico to the movement of nations that are battling economic depression, by building the Eurasian Land-Bridge and a New Bretton Woods financial system,” a reference to two key economic proposals by Lyndon LaRouche.

Natividad González Parás, the candidate of the PRI party, echoed the importance of building infrastructure, in one of his interventions, to which Castro replied: “It’s great that you’re picking up on my ideas, but the gas from the Burgos Basin should not be handed over to that group of bankrupt companies who make up the Houston Cartel.”

None of the candidates could dispute with Castro about the ongoing financial disintegration, the importance of infrastructure, the rise of epidemics as a result of the economic crisis, or any of his other economic arguments, not even when the PAS candidate challenged them directly, saying: “You refuse to recognize reality, trapped in your beliefs and illusions. . . . You remind me of the passengers on the *Titanic*.”

Then, Castro focussed the discussion on his audience, the



Nuevo León gubernatorial candidate Benjamín Castro has made Lyndon LaRouche’s fight to oust Cheney’s chicken-hawks, and LaRouche’s economic strategy, central to his campaign—with powerful results.

electorate, because “it is with the electorate that I want to debate. . . . The problem also lies with you. . . . You must give up the hiding place of ‘private life,’ and take charge of public affairs. . . . You must detox yourselves from soccer, that new opium of the people. . . . You must do all of this and join with me in facing what is to come. . . . This time, elect a governor.”

After the debate, the popular *Multimedios* television program *Cambios*, moderated by architect Héctor Benavides, did a telephone interview with Castro, on the financial difficulties that have confronted his campaign. The next day, *Radio Alegría*, a station which has always attacked Castro, received a flood of telephone calls about his polemical comments on soccer. The impact of his statement was such that the newspaper *El Regio* began a column entitled, “The new opium of the people.” María Julia Fuente, the moderator of the *Multimedios* program *Telediario*, broadcast a complete segment of the debate, in which Castro talked about drugs and money laundering. And Gregorio Martínez, moderator of the Televisa program *Las Noticias*, broadcast the final section by Castro, dedicated to the LaRouche Youth Movement, which is rapidly growing and “invading” the streets of Monterrey in a fundraising effort for the Castro campaign.

These are the words still resonating in the ears of the electorate: Castro addressed those youth “who support me, and and who enable me to stand strong in the face of attacks. These are youth to whom globalization would deny a future, condemning them to the fleshpots, to drugs, to unemployment. . . . They have decided to be larger than their destinies, and they have taken up a mission in this life. . . . They have decided that there is no greater work of art than to build a nation . . . that there is no greater pleasure than to serve others, and that the greatest excitement comes from the pleasure of knowledge . . . of dominion over the biosphere . . . of the greening of the Great American Desert.”

Peru 'Truth Commission' Oversees Terror Revival

by Manuel Hidalgo

A column of more than 100 Shining Path narco-terrorists assaulted a workcamp of the Argentine company Techint on June 8, in the Ayacucho region of Peru, and took 71 workers hostage, several of them foreigners. The zone has been plagued by terrorists and drug traffickers, but the Alejandro Toledo government—imposed on Peru by Wall Street and the U.S. State Department—has withdrawn from many of these areas the counterinsurgent military bases that were established there in the 1990s. After conducting negotiations with Techint, Shining Path freed the hostages, walking away with undisclosed amounts of money, food, medicines, equipment, and explosives. This is the second major terrorist operation that Shining Path has carried out under the Toledo regime; the first was the car bomb that was exploded in March 2002, in the area of the American embassy in Lima.

Just two days before the mass kidnapping, Antonio Navarro Wolf, a former leader of the now-defunct Colombian terrorist organization M-19, and now a congressman in that country, took advantage of his invitation to Peru by its Truth and Reconciliation Commission, to greet his Peruvian colleagues in the terrorist MRTA, and its jailed leader Víctor Polay Campos. According to Truth Commission member Sofía Macher, in a June 7 interview: “Shining Path is not a band of criminals. It is a political party.”

This coincidence of terrorism and apology for terrorism shows that the Shining Path resurgence is no accident, but the consequence of careful and long-term planning. Although the kidnapping and ransoming of the hostages was a great propagandistic victory for Shining Path, this has not been its greatest triumph, but rather a gift from the Peruvian government itself. In the past two years, the Toledo government has freed nearly 500 jailed terrorists, under a ruling of the Inter-American Human Rights Court—in total, 2,000 terrorists have walked out of jail—and has annulled the trials of another 2,000 terrorists still in jail. As if this weren't enough, the so-called Truth Commission has begun an offensive to reinforce and revive two bloody narco-terrorist bands, Shining Path and MRTA, as “political parties,” with the argument of “reconciliation,” a strategy designed to ultimately lead to a general amnesty.

In April 2000, the LaRouche movement of Peru had warned in its newspaper *Solidaridad Iberoamericana*, that “If Toledo reaches the Presidency, Shining Path will take power.” In March of this year, they repeated the warning. The

Shining Path outbreak now must be seen in its context: The efforts by the Colombian FARC to extend its operations to neighboring countries like Peru; and the mobilization of thousands of coca-farmers from Peru's 14 major coca-growing areas, under the slogan, “No to coca eradication,” the same slogan that Shining Path raised in these areas since the 1980s. This is the biggest escalation in favor of drug legalization to be seen in recent years. And with all this, the Toledo government has drastically cut back the armed forces' budget, effectively making Peruvian society defenseless.

The Lie Commission

The Truth Commission was created in 2000 by the temporary regime of Valentín Paniagua, and its members were nominated in 2001 by current President Toledo. Members include spokesmen for the pro-terrorist “human rights” non-governmental organizations (NGOs), leftist ex-professors from the University of Huamanga, from the era when Shining Path chieftain Abimael Guzmán dominated that University, and personalities drawn from Jesuit networks around the Catholic Church. Against many protests, the Commission began with the backing of the United Nations Development Program (UNDP), the Agency for International Development (AID) of the U.S. government, the British Council of Peru, and various European NGOs.

The Commission set to work pulling together public hearings for victims of violence. This by no means meant the families of citizens, police, and soldiers who were victims of the narco-terrorists, but rather families of the narco-terrorists themselves! This facilitated the regroupment of family members whom Shining Path have also considered an important part of their organization's support network, and who serve very specific functions. According to the anti-terrorist police, groups of Shining Path family members have since taken to holding gatherings outside the framework of the Truth Commission, with still unknown consequences.

The second step taken by the Truth Commission was to twist the arms of the political parties, with the threat of opening up investigations against them for “human rights violations” during the governments in which they participated. The parties acceded to participating in hearings throughout this month, where the main attraction was the showing of well-prepared videos of jailed Shining Path leader Oscar Ramírez Durand, and of MRTA's imprisoned Luis Cárdenas Schulte and Víctor Polay Campos, all declaring their “repentance” and readiness to participate as leaders of political parties.

In the meanwhile, the Toledo government is facing protests from a growing number of once-productive but now ravaged sectors of the economy. Faced with a general strike, Toledo imposed a state of emergency May 26, and ordered out the military; this done, his administration decreed, on June 16, increased taxes on public services and on fuel—all on the orders of the International Monetary Fund and Peru's creditor banks.

International Intelligence

Violence in Venezuela Follows Gaviria's Soirée

César Gaviria, the Secretary General of the Organization of American States (OAS), declared a victory for “pluralism,” at a May 29 signing ceremony between the Hugo Chávez government in Venezuela, and that country’s “Democratic Coordinator” (CD) opposition. The accord purported to resolve the nation’s crisis and commit both sides to peaceful dialogue and a referendum on President Chávez’s government. A smug Gaviria declared that he had “successfully concluded the task entrusted to us,” which was to ensure that “every action, every attitude, and every utterance must reflect tolerance, pluralism, and respect for opponents.”

The deal didn’t last a week.

On June 6, the Chavista majority in Venezuela’s National Assembly attempted, but failed, to ram amendments down the opposition’s throats, which would have given the Chavistas a lock on the legislature. In a rage, the Chavistas staged a walkout and held a rump session in the street. The opposition’s refusal to cooperate prompted Chávez to denounce them for attempting a “parliamentary coup,” and the stage was set for another showdown.

Then, on June 13, the opposition’s rather provocative attempt to hold a demonstration in a Chavista-controlled neighborhood in Caracas was met by the usual thuggery of Chávez’s supporters. The Metropolitan Police stepped in to control the violence, and came under attack from the Chavistas, including gunfire. When the smoke and teargas had cleared, 17 people—some police, others Chavistas—had been injured, including by bullets, and President Chávez was screaming about having to intervene against the Metropolitan Police for acting like a “paramilitary force” against “the people.” The Metropolitan Police just happens to be under the control of Caracas Mayor Alfredo Pena, an outspoken Chávez opponent.

Chávez is now talking about outlawing street demonstrations again.

Hans Blix Denounces Slanders by ‘Bastards’

Former chief UN weapons inspector Hans Blix, in an interview to the London *Guardian* on June 11, blasted those who tried to undermine his role as the pre-war inspector of Iraq’s weapons. “I have my detractors in Washington,” he said. “There are bastards who spread things around, of course, who planted nasty things in the media. Not that I cared very much. It was like a mosquito bite in the evening that is there in the morning, an irritant.”

Blix accused the Bush Administration of leaning on the inspectors to produce more damning language in their reports. He accused “some elements” of the Pentagon of being behind a smear campaign against him; and said some in Washington regard the UN as an “alien power” which they hoped would sink into the East River.

Even before he returned to Iraq after four years, Blix said, senior U.S. Defense Department officials were criticizing his appointment. That was just the beginning. By Autumn, the father of two was being branded in Baghdad as a “homosexual who went to Washington every two weeks to pick up instructions.”

A lot of the sniping “surely came” from the Pentagon, said Blix. “By and large my relations with the US were good,” he said, “but towards the end the [Bush] administration leaned on us.”

He found U.S. unilateralism especially worrying, given President Bush’s doctrine of pre-emptive strikes. “It would be more desirable and more reasonable to ask for Security Council authority, especially at a time when communism no longer exists and you don’t have automatic vetoes from Russia and China,” he said.

Similarly, it would be much more “credible” if a team of international inspectors were sent into Iraq now, instead of the 1,300-strong U.S.-appointed group now conducting the search for weapons of mass destruction, he said.

Russia's Glazyev Takes Initiative on Resources

At a June 10 press conference, Member of the Russian State Duma Sergei Glazyev announced that he has agreed to head the new Committee for the Defense of Russian Citizens’ Rights to National Natural Resources. Other members of the committee are Academicians Dmitri Lvov and Zhores Alfyorov, the Nobel laureate in physics and himself a member of the Communist Party group in the Duma.

Glazyev’s leadership of an effective opposition movement in this year’s Russian parliamentary elections, and even his possible Presidential candidacy next year, are the subject of current coverage in major English- and Russian-language media in Russia. Glazyev, an economist, is a longtime friend and collaborator of Lyndon LaRouche.

At his press conference, Glazyev said that by Sept. 1, the committee will prepare legislative initiatives “on the expropriation and redistribution of super-profits from the exploitation of Russia’s natural resources.” This “natural rent,” he said, could be allocated either through special public funds, or through the Federal budget, “for the good of the country’s development and of each individual citizen.”

The matter of national ownership of natural resources was the subject of an exchange between Academician Lvov and Lyndon LaRouche, at the hearings Glazyev convened on June 29, 2001, on how to defend national economies under conditions of global economic collapse. (See *EIR*, July 20, 2001, and LaRouche’s follow-up article “On the Subject of Primitive Accumulation,” in the Aug. 17, 2001 issue.)

At the same press conference, Glazyev said that studies at the Russian Academy of Sciences show the possibility of achieving 20-30% annual growth in areas of advanced technology, in order to “create real, powerful engines of economic growth.” This will require a development budget, and development banks, he said.

LaRouche Turns Up the Heat on Cheney's Iraq Intelligence Hoax

by Jeffrey Steinberg

Disgusted after months of vain efforts to find Iraq's so-called "weapons of mass destruction," and the discovery of Vice President Dick Cheney's role in peddling forged documents allowing him to accuse Saddam Hussein of attempting to purchase uranium oxide from the government of Niger, in order to build nuclear bombs, the House and Senate Intelligence Committees both began hearings on June 18, on the intelligence assessments that led into the Iraq War. The Niger forgeries were instrumental in convincing a number of Congressmen to give President George Bush the authorization, last October, to go to war; and now, several Congressional leaders have voiced their anger at having been personally deceived.

The environment is being further heated by the campaign of Democratic Presidential candidate Lyndon LaRouche, and the latest activities of the growing LaRouche Youth Movement, which has become a "fact on the ground" inside the Washington Beltway. LaRouche issued a call for the Vice President to be forced to say "what he knew, and when," in a campaign release now saturating the District of Columbia, as well all state capitals and every major city throughout the country. To date, 1 million copies of the LaRouche in 2004 campaign leaflet, "LaRouche Says: Charges Against Cheney Constitute Grounds for Impeachment," have been put into the hands of lawmakers and citizens alike.

The release quotes LaRouche: "Let there be no mistake about it. The nature of these charges constitutes hard grounds for impeachment. The question has to be taken head on. It is time for Dick Cheney to come clean. I want to know exactly what Dick Cheney knew and when he knew it. The charges are grave and specific and leave no wiggle room. Determining who knew what and when is, at this time, an urgent matter of national security."

The circulation of the LaRouche in 2004 statement, along

with the continuing distribution of the campaign's 40-page *Children of Satan* exposé of the Cheney-Rumsfeld-Wolfowitz cabal behind the Iraq War, has ignited a growing resistance to the war party schemes from a bipartisan group in Congress and in the larger American political institutions, including the U.S. military. The current Congressional hearings, and the separate probe of the Cheney Niger documents hoax by the President's Foreign Intelligence Advisory Board (PFIAB), headed by former "Bush 41" National Security Advisor Gen. Brent Scowcroft (ret.), all reflect that cumulative impact. To date, over 600,000 copies of the *Children of Satan* dossier have been distributed in the United States, and well-placed Washington sources have told *EIR* that "everyone is reading it. The impact is extraordinary."

The Financial Oligarchy Responds

One measure of the impact of the LaRouche campaign exposé of the network of neo-conservatives, Leo Strauss protégés, and fellow travellers of Israel's right-wing ruling party Likud in and around the Bush Administration, is the spate of hysterical media admissions that LaRouche was the architect of the "Leo-con" revelations. These acknowledgments have come exclusively from the leading U.S. and European *financial* press. On June 16, the *Economist* British weekly ran a wild tirade against LaRouche and *EIR*, for putting in the limelight Leo Strauss's role as the godfather of the neo-cons. The *Economist* wrote, "In March the *Executive Intelligence Review*, an eccentric website run by Lyndon LaRouche, posted a profile of Strauss entitled 'Fascist Godfather of the Neo-Cons.' You might have thought that the article's overheated language and conspiracy-mongering would have killed the argument. But since then a flotilla of respectable publications, from the *New Yorker* to *Le Monde*, have jumped on the bandwagon. Who on Earth was Leo Strauss?"



The LaRouche Youth Movement demonstrates in Los Angeles around LaRouche's statement calling for Cheney's impeachment, part of the nationwide mobilization which has circulated more than one million copies of the statement. With an equal number of Children of Satan campaign pamphlets, the heat is on Cheney's chicken-hawks.

Three days earlier, the *Neue Zürcher Zeitung*, the daily newspaper of the Swiss financier “gnomes,” published their own rant against LaRouche’s damaging and widely adopted exposé of Strauss and the Straussians at the heart of the Bush Administration war-party faction, under the banner headline, “Traditions of Conspiracy in America—Leo Strauss, LaRouche and the Neo-Conservative Cabal.” Like the *Economist*, the *Neue Zürcher Zeitung* protected Strauss as a misunderstood defender of democracy, under unjust attack because some of his leading disciples now occupy powerful perches in and around the Bush Administration.

The first of the big financial publications to take up LaRouche’s Straussian exposé was the *Wall Street Journal*, which had published a ringing defense of Strauss and the neo-cons on June 9, against LaRouche’s *Children of Satan* exposés, written by the paper’s editorial page editor emeritus, Robert Bartley. To date, the *Journal* has refused to publish LaRouche’s reply to Bartley’s tirade.

The Niger Forgeries

It is in the context of this international furor over the LaRouche-sparked exposés of the Straussian “Ignoble Liars” behind the Iraq War orchestration, that the battle in Washington over the Cheney-led disinformation campaign must be situated and assessed. At the heart of the Cheney piece of the larger scandal over “cooked intelligence” to justify the unjustifiable Iraq War, is the Bush Administration’s repeated use of Niger government documents—which were determined by the CIA to be forgeries—as a core feature of the argument for a preventive war against Iraq. The documents in question were passed on to U.S. intelligence in late 2001,

and by no later than February 2002, *at the request of Vice President Cheney*, the CIA had conducted a thorough probe, and had determined that the documents are shoddy forgeries.

Despite the knowledge that the documents are fake, sources have told EIRNS that the Vice President’s office insisted that the documents be passed on to the UN’s International Atomic Energy Agency (IAEA), to buttress the argument that Saddam Hussein was aggressively pursuing nuclear weapons development. IAEA director Dr. Mohammed ElBaradei testified before the United Nations Security Council on March 7, 2003, that the Niger documents had been easily shown to be forgeries, and more broadly, that there was no evidence that Iraq was pursuing nuclear weapons at all in recent years.

Yet, nine days later, Cheney appeared on the Sunday TV talk show “Meet the Press,” to deliver a personal attack against Dr. ElBaradei, and to make the patently false accusation that Saddam Hussein was “in possession” of nuclear arms. Cheney’s March 16 interview on “Meet the Press” was tantamount to an announcement that there was nothing that Saddam Hussein could do to stop the United States from launching the “preventive” war, which, in any case, began three days later.

The Waxman Letters

Rep. Henry Waxman (D-Calif.) wrote three letters to President Bush and to National Security Advisor Condoleezza Rice, the first on March 17, demanding an explanation for the Administration’s repeated use of the forged documents to stampede Congress, the American people, and the international community, into supporting a preventive war on Iraq.



Vice President Dick Cheney and wife Lynne, at the Air Force Academy graduation ceremonies for the class of 2001. Cheney is at the center of the scandal, in which Administration officials knowingly used cooked intelligence about Iraq's alleged nuclear weapons capabilities to send U.S. troops into war. Now, the members of Congress who were snookered into voting to authorize war, above and against the United Nations, are investigating—as Lyndon LaRouche put it—what did Cheney know and when.

Waxman pointed out that he had voted to grant President Bush authority to go to war against Iraq, largely because he was deeply concerned about the danger of Saddam gaining nuclear weapons.

While Waxman's letter focussed on the President's own reference to the alleged Iraq bomb in his Jan. 28, 2003 State of the Union Address, the *Californian* highlighted the role of Vice President Cheney in pushing the probe into the Niger documents.

On June 12, the *Washington Post* published a front-page story by Walter Pincus that attempted to control the damage done to Vice President Cheney's plans. The *Post* rescue attempt—which was denounced within 24 hours in news stories ranging from Knight-Ridder and Associated Press, to *Newsday*—claimed that, while the Vice President had requested the CIA probe in early 2002 that ultimately disclosed that fakery behind the Niger documents, he was never informed of the outcome of the CIA investigation. This bogus and cheap effort to deflect the heat away from Cheney fell apart the next day, when Jonathan Landay wrote a Knight-Ridder syndicated story that broke in newspapers all across the United States, citing senior CIA officials who affirmed that the White House had been fully informed by the Central Intelligence Agency of the findings of the Niger document probe, but had gone ahead with the disinformation anyway, to buttress the otherwise-weak argument for war.

After noting that Secretary of State Colin Powell refused to include the Niger material in his Feb. 5, 2003 report to the UN Security Council, Landay reported, "Among the most

vocal proponents of publicizing the alleged Niger connection, two senior officials said, were Cheney and officials in the office of Defense Secretary Donald Rumsfeld." Landay added, "Cheney alleged in an Aug. 26, 2002 speech that Saddam 'has resumed his efforts to acquire nuclear weapons,' and this March 16, he went much further, saying, 'We believe he has, in fact, reconstituted nuclear weapons.'" Landay concluded that Cheney knew of the CIA's reservations about the authenticity of the Niger documents, but argued for the promotion of the line that "Saddam has nukes" anyway.

Also on June 13, Nicholas Kristof reported in the *New York Times* that CIA officials had briefed Vice President Cheney's staff on the CIA findings by no later than March 2002—long before Cheney trumpeted his charges about Iraq's possession of nuclear bombs.

Citing the Pincus article of the previous day, Kristof wrote, "Officials now claim that the CIA inexplicably did not report back to the White House with this envoy's findings and reasoning, or with an assessment of its own that the information was false. I hear something different. My understanding is that while Director of Central Intelligence George Tenet may not have told Mr. Bush that the Niger documents were forged, lower CIA officials did tell both the Vice President's office and the National Security Council staff members. Moreover, I hear from another source that the CIA's operations side and its counterterrorism center undertook their own investigations of the documents, poking around in Italy and Africa, and also concluded that they were false—a judgment that filtered to the top of the CIA. Meanwhile, the State De-

partment's intelligence arm, the Bureau of Intelligence and Research, independently came to the exact same conclusion about those documents, according to Greg Thielmann, a former official there."

Kristof's conclusion matched observations by candidate LaRouche: "I don't believe that the President deliberately lied to the public in an attempt to scare Americans into supporting his war. But it does look as if ideologues in the Administration deceived themselves about Iraq's nuclear program—and then deceived the American public as well."

The same day, the *New York Times* editors, also mirroring Lyndon LaRouche's earlier call, editorialized about "The Vanishing Uranium," noting, "President Bush cannot be pleased to know that his State of the Union address last January included an ominous report about Iraq that turns out to have been based on forged documents. The incident is an embarrassment for Mr. Bush and the nation, and he should now be leaning on his aides to explain how they let fabricated information about Iraq's nuclear weapons program slip into his speech. The answer might help explain whether Washington deliberately distorted intelligence to rally the nation for the war against Iraq."

The next day, Knut Royce wrote in *Newsday* that the CIA had produced a "National Intelligence Estimate" in October 2002, repudiating the charges that Iraq possessed nuclear weapons. He also reported, based on his own discussions with high-level intelligence sources, that "months before President George W. Bush asserted in his Jan. 28 State of the Union speech that Iraq had been shopping in Africa for uranium to build nuclear bombs, the CIA told the White House it had 'serious questions' about key intelligence behind the claim." He added, "The CIA repeated its reservations—about purported deals by Iraq to buy uranium oxide from Niger—in a classified National Intelligence Estimate distributed to the White House and other agencies in October, the official said. He said the State Department, in the report, asserted 'even more firmly' than the CIA that there were serious questions about the intelligence claims."

What Role Did Bolton Play?

The fact that the State Department's intelligence arm shared the CIA's skepticism about the Niger documents in the October 2002 National Intelligence Estimate, raises another question about the forgery scandal. On Dec. 19, 2002, the State Department issued a fact sheet, in response to the Iraqi government's 25,000-page submission to the UN Security Council, accounting for their entire weapons program. The State Department fact sheet directly cited the Niger "yellow cake" deals as proof that Saddam Hussein was lying to the UN. How did the State Department fact sheet get the facts so wrong? According to one well-placed career foreign service officer at Foggy Bottom, the inclusion of the Niger allegation was likely the work of John Bolton, who is the State Depart-



The late Sen. Daniel Patrick Moynihan (D-N.Y.) on the re-election stump (against a LaRouche Democrat) in 1982. Moynihan's legacy in the Democratic Party—the Democratic Leadership Council—is today a "protection racket" for Cheney's Republican chicken-hawks, who include some of his protegés.

ment's chief arms control official. Bolton's deputy is David Wurmser, and both men are among the leading neo-con moles inside State.

Bolton and Wurmser came to the State Department from the American Enterprise Institute (AEI), the "war-party" hotbed, which currently houses Michael Ledeen, Richard Perle, and William Kristol. In July 1996, Wurmser, along with Perle and Assistant Secretary of Defense Douglas Feith, co-authored "A Clean Break: A New Strategy for Securing the Realm," a report prepared for then-Israeli Prime Minister Benjamin Netanyahu, which spelled out a strategy for abrogating the Oslo Accords, overthrowing every pro-Western Arab government, and expelling *en masse* the 3 million Palestinians living in the West Bank and Gaza Strip, prior to annexing them. The trigger for the "Clean Break" scheme was the U.S. invasion and overthrow of Saddam Hussein in Iraq.

Clearly, Bolton and Wurmser are two more Bush Admin-

istration officials—like Vice President Cheney—who need to be hauled before the relevant Congressional bodies, as well as the President’s Foreign Intelligence Advisory Board, to say—under oath—what they knew, and when.

And Back In the Pentagon Basement . . .

Even as attention is properly focussed on the Vice President, other officials have some serious explaining to do. The center of the Pentagon’s “Big Lie” program, to get Congressional and public support for the Iraq War, was the little-known Office of Special Plans, a civilian Pentagon unit headed by William Luti. OSP, according to news accounts and Pentagon admissions, hired Abram Shulsky, a protégé of both Leo Strauss and Iran-Contra criminal Roy Godson, shortly after the Sept. 11, 2001 attacks, to assemble a small team of intelligence analysts, to conduct an “independent” review of the masses of intelligence data coming into the Pentagon, the CIA, the State Department, and the National Security Agency (NSA), on Saddam Hussein’s weapons of mass destruction (WMD) program and his links to the al-Qaeda terrorists, who purportedly carried out the attacks on the Pentagon and the World Trade Center.

Among the other individuals who reportedly worked with Shulsky on the intelligence analysis were: Kenneth de Graffenreid, another Iran-Contra player, who served on the Reagan-Bush Administration National Security Council; Harold Rhode, a longtime collaborator of British intelligence Arab Bureau spook and “Clash of Civilizations” inventor Bernard Lewis, who has been described as the chief advisor to Deputy Defense Secretary Paul Wolfowitz on “the Islamic world”; and Roy Godson, who is a consultant to the super-secret unit.

The Shulsky-Luti team did not just pore over CIA, DIA and NSA “raw” data. They actually functioned as a pipeline—between Iraqi National Congress leader Ahmed Chalabi, pro-Ariel Sharon Israeli intelligence circles, and other sources of outright disinformation and uncorroborated gossip—and Defense Secretary Donald Rumsfeld. According to sources in and around the Bush Administration, Rumsfeld, in turn, used the bogus data to challenge the collective assessments of the mainstream U.S. intelligence agencies. Rumsfeld’s personal access to President Bush, and his own willingness to buy the cooked intelligence, and to wage a campaign to discredit the entire U.S. intelligence and military establishment, who were challenging the reliability of the data suggesting the Iraqi WMD schemes and the al-Qaeda links, eventually convinced the President that the grounds existed to go to war—without UN approval.

The Democratic ‘Trojan Horse’

According to one senior U.S. intelligence source, the main reason that the Shulsky-Luti gang at the Pentagon have not been hauled before Congressional committees, to give their own accounting of what they knew, and when, about the falsi-

fication of intelligence, is that they are being protected by a grouping within the Democratic Party: the Democratic Leadership Council. According to the source, a number of leaders of the DLC have personal ties to the Pentagon “spinmeisters,” and have pressed members of the Democratic House and Senate committees to back off from pushing a probe into the Office of Special Plans.

These reports are credible, given that Shulsky started his career on Capitol Hill as a top aide to Sen. Daniel Patrick Moynihan (D-N.Y.), who, along with Sen. Henry “Scoop” Jackson (D-Wash.), was the promoter of the neo-conservative apparatus, and the inspiration for launching the DLC. Moynihan, a Democrat in Richard Nixon’s Administration, was convinced to run—as a Democrat—for the U.S. Senate by two top Republican moneybags: Max Fisher, the former Purple Gang bootlegger from Detroit, and Washington fixer and former Nixon attorney Leonard Garment. Garment’s law firm protégé, Irving Lewis Libby, is now Dick Cheney’s chief of staff and chief national security deputy.

Once in office, Moynihan not only hired Shulsky, he also brought in Elliott Abrams, now the director of Middle East policy at the Bush National Security Council, and Gary Schmitt, the head of the William Kristol-founded Project for the New American Century, one of the most rabid of the war-party groups. Shulsky and Schmitt were both University of Chicago students of Leo Strauss. Abrams, Shulsky, and Schmitt migrated, along with the majority of neo-conservatives, into the Republican Party, following Ronald Reagan’s 1980 election. The neo-cons who stayed behind inside the Democratic Party formed the core of the DLC in the mid-1980s.

Lyndon LaRouche has damned the DLC as a “right-wing Trojan Horse” dedicated to the destruction of the Democratic Party, and to securing the 2004 re-election of Republican George W. Bush. The DLC’s role in sabotaging a serious Democratic intervention to force Dick Cheney, Donald Rumsfeld, Shulsky, Wolfowitz, Feith, et al., to answer the tough questions that a patriotic bipartisan grouping within the Congress must ask, is treachery, plain and simple.

With the momentum now building for a serious probe into the entire sordid intelligence faking, the DLC’s effectiveness, in sabotaging a bipartisan effort to clean out the garbage from inside the Bush national security team, is rapidly coming to an end.

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Wolfowitz Grilled at Congressional Hearing

by Edward Spannaus

The Bush Administration's military policy and the increasingly disastrous occupation of Iraq came under sharp, unreported criticism at a June 18 hearing of the House Armed Services Committee. The topic of the hearing, which featured Deputy Defense Secretary Paul Wolfowitz, and Joint Chiefs of Staff chairman Gen. Peter Pace, was "U.S. Worldwide Military Commitments," and the theme running through the hearing was the overstretching of U.S. military forces due to the open-ended occupations of Iraq and Afghanistan, added to the nation's already-existing long-term troop commitments in Europe and Asia. Although the toughest criticisms came from committee Democrats, Republican members also criticized the Administration's lack of planning for the Iraq occupation.

Indeed, committee Chairman Duncan Hunter (R.-Calif.) appears to have stung Wolfowitz (and implicitly, also Defense Secretary Donald Rumsfeld, known for his utopian "Information Age" fantasies), with his references to poor planning for the "occupation" of Iraq. Said Hunter, "It probably takes about the same number of troops to guard a bridge over the Euphrates River today as it did in the days of the Roman legions, which is at least one on each side of that river. . . . Occupation takes a lot of folks, probably takes a lot more folks than winning the war."

Hunter undoubtedly knew that this was a direct challenge to the Wolfowitz's statement in his Feb. 27 Congressional testimony, in which Wolfowitz declared that it was "hard to conceive that it would take more forces to provide stability on post-Saddam Iraq than it would take to conduct the war itself." The context for that, was Wolfowitz challenging the estimation of then-Army Chief of Staff Gen. Eric Shinseki, that "hundreds of thousands" of troops would be needed for post-war Iraq.

At the June 18 hearing, Wolfowitz reacted sharply, by countering Hunter's very use of the term "occupation"; Wolfowitz claimed that "what we're about in Iraq is the liberation of a country."

Because the June 18 hearing received almost no coverage in the daily news media, *EIR* considers it a public service to publish here substantial excerpts of some of the toughest questions and statements—so that Americans and readers around the world can get an idea of the actual mood of U.S.

troops and the American population, as it is reflected through their Representatives in Congress. (The following remarks are as transcribed by Federal News Service.)

Rep. Ike Skelton (D-Mo.): "American troops are being killed daily. Some American family awakens to the news as I did yesterday morning, this morning, to find that another American has been killed, and that family that day will have its hearts broken. On top of that, according to press reports, Sunni [Muslim] Arabs, fearful of a less prominent role in a new government related to the Shi'a majority, have begun recruiting Sunni Arabs from other countries to join in the guerrilla battle against the American occupation. And I would like to understand the plans that are in place for improving security in the regions of the country now facing unrest, and to address these potential emerging threats."

Rep. Solomon Ortiz (D-Tex.): "You know, as a member of Congress, we get many letters from our constituents. And sometimes we find some of them very hard to respond to.

"Let me read a letter to you that I got, and this is one of many that I have received. And it says, 'Dear sir, I know that you are very busy and this might not seem very important to you. But my husband is in the United States Army, and he was in the war on Iraq from beginning to end, and now they're being told that they will . . . now will have to be moved to another location in Iraq. This is coming just as they were about to start the process of coming home.

" 'I feel that after all that they went through and saw that they deserve to come home, just as the Navy and the Marines got to do. To be honest, our men saw more than both the Navy and the Marines. I might not live in Texas as of now, but I was born and raised in Corpus Christi for 25 years, and my husband signed on with the Army after 11 September.

" 'I know that this might not seem important to you, but I feel that it is important for the morale and welfare of the men to come home like they were planning. We don't need a repeat of the men freaking out like what happened when the war was starting. A lot of the wives feel a little jerked around, like holding a carrot in front of a turtle and pulling it away. Thank you for your time.'

"This is one of many letters that I get. And I know that we've gone through a transformation period, but what are the plans to bring some of these soldiers who have been there for a long period of time? And I know some of my friends have been to Iraq, and they tell some of the committee members who have been there, 'Please get us out of here. We came to fight a war. We're not police officers. We're not law enforcement officers.' "

Rep. Loretta Sanchez (D-Calif.): "At a speech at The Citadel [military academy] in Fall of 1999, then-Governor Bush scolded President Clinton for stretching the military to the breaking point. He said: 'Frustration is up as families are separated and strained. Morale is down. Recruitment is more difficult. And many of our best people in the military are headed for civilian life.' Well, hello! The military force

is still limited and people still wear out.

“And yet, I have heard the President [and] the Secretary resist all suggestions for expanding the force. And I have never heard the President urge young people to sign up, nor have I heard an apology to General Shinseki.

“The war in Iraq was tailor-made for America’s attention span. It might have even been a little bit too long. Well, it hasn’t ended. I believe this war is still ongoing. And I want to know, and the American people want to know, the cost of this war. We want to know about our soldiers: Why are we losing one a day? What is it acceptable to lose? We want to know about the billions of dollars that you’re going to—that you spent and you want to expend, diverted from homeland security, from economic security, from investment in ourselves and our infrastructure. I want to talk about the tally of at least 3,200 Iraqi civilians that were innocent in this that were killed in action over there—that doesn’t count the wounded or the maimed, about the 50,000 or so Iraqi soldiers—the estimate—that were killed over there. I want to know about the dollars, I want to know about the bodies, I want to know about the opportunity cost that this is going to take. And you—and the reason I ask is because initially, you said you would do whatever it takes, that you didn’t want to state how long and at what cost. But I want to know. And by the way, Americans want to know.”

Rep. Gene Taylor (D-Miss.): “Secretary Wolfowitz, I know none of us really like to look at words we’ve said about other things, and have them twisted around. But I noted with great interest your testimony from October of 1995 before this committee, and I’m going to quote from page 38. ‘That is all the more reason for the Congress to force the [Clinton] Administration, whose course in Bosnia has consistently been marked by vagueness, confusion, and ambiguity, to provide clear answers to those questions before, not after it has committed American troops or committed our allies to an essentially impossible policing mission in Bosnia. While the failure of the current peacekeeping efforts would be a setback, it would be a far greater setback if we commit the prestige and power of the United States to a mission that cannot be achieved and cannot be sustained.’

“It leads me to a couple of questions. If we’re going to achieve our mission, I agree with General Clark, it is going to take at least ten years. . . . I would certainly hope that just for the sake of the troops, who like certainty as much as you and I do, that some sort of a rotational schedule be announced so that they have some certainty as to when they’re going and when they’re coming home. Because as the Bosnian mission has taught us, for every soldier we’re going to have over there, we’re really tying up three—one training to go there, one who’s there, one retraining to do their regular job. . . .

“Secretary Wolfowitz, that, I’m going to ask you on a personal basis. I went to the White House last fall when the President made the pitch for the use of force. I really didn’t

think his presentation was that good, and I left less convinced that we needed to do it than before. A little while later I gave the Administration a second chance, and listened to Secretary Rumsfeld make the pitch. And again, I didn’t think his pitch was very good. It was the conversation between you and I after that meeting that convinced me that you were on the right track. And I regret that it didn’t write it down. I should have. If it was a strong enough conversation for me to vote in favor of the use of force, then I should have recorded it.

“What troubles me now is that even in an extremely patriotic place like Mississippi—and I do represent extremely patriotic people with wall-to-wall military bases—I’m getting questions from moms and dads saying, Where’s the evidence of the weapons of mass destruction? If the evidence is there, for the sake of the word of this nation—and nations, like people, are only as good as its word—I would request, based on our conversation which convinced me to vote for it, that you come forward with it. . . . But that really was the pitch for the war, Mr. Wolfowitz, a war that I voted for, a war that we’ve now lost close to 200 kids. So, as one of the people who voted for that war, just like Senator Warner, I think it is extremely important that you come forward.”

Rep. Neil Abercrombie (D-Hi.): “I just wanted—as I said to Secretary Wolfowitz before I—a short preamble that I feel I must put forward before I make my inquiries of you, and that—there’s a certain dream-like quality to this hearing and to the presentation. It’s almost an exercise in self-hypnosis, it seems to me.

“I must tell you, General, that these same sentiments in terms of the—almost the kind of ease that is promulgated by the tone of the presentation of the Secretary—more than yourself, I must say—reminds me of 40 years ago, when I first began to have doubts about Vietnam and what was going to take place there and what the role of the United States was going to be. And I regret that very, very much. . . .

“General Pace, we’re simply going to have to have a more clear understanding and presentation, not just from yourself or from the military side, but from the Secretary’s side, some coordination telling us exactly what you’re anticipating your needs are going to be. . . .”

[General Pace responds that anticipated requirements for police in Iraq are about 65,000, and that as they are trained, this would free up coalition troops.]

“If that’s the case, General, then we’ve got to start leveling with the American people. I can tell you when you have optimum circumstances for a police force to be deployed, if you will, in a city under conditions that we have in this country, it takes years to accomplish that. I suggest right now, that you better think seriously; or, that is to say, Ambassador Bremer better think seriously, about paying those Iraqi soldiers. . . . You’re going to have to get your military and civilian police force out of the same people who are there either as police officers before . . . or Iraqi soldiers.”

Gen. Shinseki Retires, Hits Rumsfeld's Leadership Failure

by Edward Spannaus

The highly respected U.S. Army Chief of Staff, Gen. Eric Shinseki, retired from the Army on June 11, after 38 years of service. He had entered the Army as an enlisted man, and after losing part of one foot in the Vietnam War, and had to fight to remain in the Army, rising to its highest position.

In his farewell speech, delivered in front of a large, appreciative gathering of military and civilian officials, Shinseki made some very pointed comments about leadership and the military, which were widely interpreted as directed at the current Secretary of Defense, Donald Rumsfeld, who had treated Shinseki contemptuously, in a very public manner.

Indeed, notable for their absence from Shinseki's retirement ceremony were Rumsfeld and his top civilian aides. "It was the ultimate snub," one attendee said.

Rumsfeld's reputation for abuse of the uniformed leadership is so bad that it has been reported that no fewer than seven top Army generals turned down offers to become Shinseki's replacement.

Command vs. Leadership

"My name is Shinseki, and I am a soldier," the General began, with what is described as characteristic humility. He praised his predecessors, who, he said, "understood the important distinction between command and effective leadership," identifying "command" as being "about authority, about an appointment to position—a set of orders granting title."

"Effective leadership is different. It must be learned and practiced in order for it to rise to the level of art. It has to do with values internalized and the willingness to sacrifice or subordinate all other concerns—advancement, personal well-being, safety—for others. So those men of iron invested tremendous time, energy, and intellect in leader development to ensure that those who are privileged to be selected for command, approach their duties with a sense of reverence, trust, and the willingness to sacrifice all, if necessary, for those they lead. You must love those you lead before you can be an effective leader. You can certainly command without that sense of commitment, but you cannot lead without

it; and without leadership, command is a hollow experience—a vacuum often filled with mistrust and arrogance."

Since "arrogance" is almost Rumsfeld's middle name, the implications were clear, as Shinseki continued: "Our mentors understood that mistrust and arrogance are antithetical to inspired and inspiring leadership—breeding discontent, fostering malcontents, and confusing intent within the force."

Shinseki discussed at length the principle of civilian leadership—a principle which Rumsfeld and his top deputy Paul Wolfowitz have accused the Army's uniformed leadership of ignoring. Shinseki pointedly cited a prime example, Secretary of the Army Thomas White—who was fired by Rumsfeld after White refused to denounce Shinseki's pre-war warning of the need for several hundred thousand troops to occupy post-war Iraq.

"So when some suggest that we, in the Army, don't understand the importance of civilian control of the military—well, that's just not helpful—and it isn't true. The Army has always understood the primacy of civilian control—we reinforce that principle to those with whom we train all around the world. So to muddy the waters when important issues are at stake, issues of life and death, is a disservice to all of those in and out of uniform who serve and lead so well."

Shinseki also warned against cutting the Army's strength, saying, "Beware the 12-division strategy for a 10-division Army," and he made a clear reference to the civilians whose ill-conceived war plans almost led to disaster for U.S. troops in Iraq: "Our nation has seen war too many times to believe that victory on the battlefield is due primarily to the brilliance of a plan—as opposed to leadership, tactical and technical proficiency, sheer grit and determination of the men and women who do the fighting and the bleeding."



Army Chief of Staff Gen. Eric K. Shinseki (right) with Secretary of the Army Thomas E. White, in July 2002. Both took a principled position against Defense Secretary Rumsfeld's utopian military posture in Iraq; Shinseki was treated shabbily by Rumsfeld, and White was fired. Their views find a strong resonance among the uniformed military.

DOJ Inspector General Blasts Ashcroft on 9/11

by Edward Spannaus

On June 2, the Inspector General of the U.S. Department of Justice issued a scathing report, criticizing the Department's detentions of many hundreds of immigrants after the Sept. 11 attacks—but Attorney General John Ashcroft has reacted totally unapologetically, as if he could care less.

Two weeks later, Ashcroft's police-state methods and attitude received a boost from two Republican-appointed Appeals Court judges, who on June 17 upheld the Justice Department's refusal to release any information about those arrested and held in secret after 9/11—even though none of them was ever charged with any terrorist offenses.

The Inspector General Report

The Inspector General (IG) Report examined the detentions of 762 people on immigration charges following Sept. 11. It presents only a partial picture—since thousands more have been detained on other pretexts—but it is nonetheless a devastating picture. None of the 762 was charged with any terrorist crime, although this was the reason for the roundup. They were held an average of 80 days—some much longer—on the flimsiest of pretexts. Many were held in extremely harsh conditions, those reserved for the most dangerous and violent of prisoners: locked down 23 hours a day; bright lights shining in their cells 24 hours a day; and physical and verbal abuse.

The IG Report sharply criticizes the FBI and the Immigration and Naturalization Service (INS) for failing to make any distinction between those detainees for whom there was some suspicion of connection with terrorism and the 9/11 attacks, and those who were just coincidentally picked up. Anyone picked up while an agent was engaged in the 9/11 investigation (known as PENTTBOM—Pentagon and Twin Towers Bombing); e.g., for being at the same location as someone for whom the agents were looking, was treated as a 9/11 (PENTTBOM) detainee.

The IG Report states that, in New York, “the FBI and INS made little attempt to distinguish between aliens arrested as subjects of a PENTTBOM lead and those encountered coincidentally.” The report also says that “we criticize the indiscriminate manner in which the labels of ‘high interest,’ ‘of interest,’ or ‘of undetermined interest’ were applied to many aliens who had no connection to terrorism.”

The rule was: guilty until proven innocent. Ashcroft's policy was that no one in any of the three “of interest” catego-

ries could be released, or deported, until he had been “cleared” by the FBI and CIA—which was a slow, cumbersome, bureaucratic process. This was the product of Ashcroft's declared shift from a law-enforcement, prosecutorial approach, to what he calls a “preventive” and “disruptive” approach, supposedly designed to prevent future terrorist attacks.

The “hold until cleared” policy was never put in writing, but according to the IG Report, it “was clearly communicated to INS and FBI officials in the field, who understood and applied the policy.” Interviews conducted by the IG showed that this policy came from Attorney General Ashcroft himself, if not from someone even higher in the Administration. Ashcroft himself denied to the IG that he could hold someone “forever” without basing it on some offense, but he said he had no reluctance to do anything “legally permissible” to detain someone who had violated the law—although the basis on which they were held, often had no relationship to what was being investigated.

Policy Failure

The Ashcroft policy has properly been judged an abject failure. Prof. David Cole of Georgetown University, reviewing the IG Report in the June 8 *Washington Post*, wrote: “The targetting of Arabs and Muslims has been a total failure, and it has so alienated the target communities that we have almost certainly lost opportunities for gathering information that might help us find real terrorists.”

One of the most outspoken experts in this regard has been Vincent Cannistraro, former head of counter-terrorism for the CIA. Addressing a conference of the American Muslim Council in Washington on June 8, Cannistraro cited Ashcroft's widespread detentions of Arab and Muslim immigrants since 9/11, without providing them any due process, or access to lawyers or family, and he asked: “What has that meant in terms of preventing terrorism?”

“This has resulted in no net benefit to the United States, it has resulted in no deterrence to any acts of terrorism,” Cannistraro declared. Noting how the FBI has gone into mosques, schools, etc., Cannistraro called this “a worthless, feel-good measure that alienates communities in the United States that law enforcement is totally dependent on, for assistance in preventing terrorism.”

Cannistraro added that there is a backlash beginning within the Department of Justice, the FBI, and some other agencies, in which law-enforcement officers are beginning to understand that “they can't do this job by themselves, unless they have cooperation, and the only way to get cooperation, is to treat people differently.”

The Justice Department, at least at the top, was unmoved by the IG's criticisms. “We make no apologies for finding every legal way possible to protect the American public from terrorist acts,” the Department said in a statement issued after the release of the Inspector General's report. Ashcroft displayed the same attitude in his June 5 testimony before the



U.S. Attorney General Ashcroft offered “no apologies” for a post-9/11 detentions policy blasted by his own department’s Inspector General as denying Constitutional rights, and called a failure by law and anti-terrorism experts. He wants greater emergency powers from Congress.

House Judiciary Committee, not only stubbornly defending his indiscriminate round-ups and detentions, but demanding that Congress give him still more powers.

Ashcroft’s demands for more Nazi-style emergency powers were interspersed with lurid statements quoting from terrorists about killing Americans, and his reading names of victims of various terrorist attacks as if he were participating in a solemn memorial service.

Although many members of the House Judiciary Committee, Democrats and Republicans alike, are highly skeptical of the Patriot Act—the anti-terrorism law passed hurriedly by Congress in the wake of the 2001 terrorist attacks—Ashcroft told them that he wants more surveillance powers, more draconian sentences, and more death penalty applications. Ashcroft made it clear that his desire for harsher sentences is not for purposes of punishment or deterrence, but as a lever for coercing cooperation and plea-bargaining—which constitutes a severe perversion of the American justice system. He complained that “existing law does not consistently encourage cooperation by providing adequate maximum penalties to punish acts of terrorism,” and called for greater use of the death penalty and life imprisonment.

Washington Post columnist Richard Cohen, going after Ashcroft for his refusal to admit that there was anything wrong with the Justice Department’s post-9/11 practices, wrote: “A cavalier attitude toward civil liberties, an inability to concede mistakes, a refusal to see imperfections in the criminal justice system, a zealously irrational belief in the death penalty—and pretty soon you can read between the lines of that Justice Department report. The Attorney General

is far more dangerous than any of the immigrants he wrongly detained.”

Eviscerating FOIA for ‘National Security’

By a 2-1 decision in mid-June, the U.S. Court of Appeals for the D.C. Circuit upheld the Justice Department’s refusal to release names and other information concerning the more than 700 people arrested and detained for immigration violations, as part of the post-9/11 sweep.

The opinion was written by Judge David Sentelle, who became notorious in the mid-1990s as the head of the panel of judges that fired the first Whitewater independent counsel, Robert Fiske, and replaced him with Kenneth Starr, who was already active in “Get Clinton” circles at the time of his appointment.

Sentelle accepted whole-hog, the Justice Department’s argument that the 9/11 attacks were so heinous, that the courts should not second-guess anything that the Justice Department does once it invokes the mantra of “national security.”

A sharp dissent by Judge David Tatel, the three-judge panel’s sole Democratic appointee, charged that the majority went way overboard, by accepting the government’s “vague, ill-defined decision to withhold information . . . [and] engaging in its own speculation to fill in gaps” in the government’s case, thus almost eliminating altogether the role of the courts in Freedom of Information Act (FOIA) cases that involve national security. Tatel wrote that “the court’s uncritical deference” to the government’s vague arguments, “eviscerates both the FOIA and the principles of openness in government that FOIA embodies.”

In reviewing the original purpose of the FOIA, Tatel ironically quoted from a 1966 Congressional statement by one “Representative Rumsfeld,” who argued that FOIA was intended to give the public “access to information about how Government is exercising its trust,” at a time when “Government is becoming involved in more and more aspects of every citizen’s personal and business life.”

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California Careens Toward Ungovernability

by Harley Schlanger

The State of California has a constitutional provision that the legislature must complete a budget by June 15. But June 15 came and went, with no agreement in sight to close the record \$38.2 billion budget shortfall.

This fact, in itself, is not so crucial. The constitutional requirement has been met only four times in 25 years. Of far more significance, is that the ongoing stalemate between Democrats and Republicans is adding to the size of the deficit; Moody's Investor Services took the occasion to downgrade further the state's credit outlook, from stable, to negative. California already has the lowest credit rating of any state in the nation, just two steps above junk bond status. Moody's report warns investors to be wary of California bonds, due to the "politically polarized nature" of the budget debate.

The downgrading of the state's bond status will add at least \$210 million to the deficit, as state officials have been forced to borrow \$11 billion to keep the state from running out of funds by September. Even the most optimistic forecasts from the state's financial officers project continued drops in revenue for the months ahead.

Partisan Warfare Intensifies

The reasons behind the partisan gridlock are not mysterious. The Republican leadership refuses to accept even modest proposals from Democratic Governor Gray Davis for tax increases to close the deficit, with the Senate GOP leader Jim Brulte threatening that he would personally campaign to end the career of any Republican legislator who votes with the Democrats for a tax increase. For the Republicans, the only acceptable option for balancing the budget is savage cuts in education, health and human services funding, and improvements in infrastructure. These cuts, which would result in major layoffs of state workers, are unacceptable to Democrats.

Thus, the budget stalemate deepens, and the once-Golden state is careening into chaos. Even before the beginning of Summer, a heat wave led to power outages in Sacramento, blacking out the Capitol building, reminding legislators that the energy crisis of 2001—brought on by deregulation, which cost the state directly more than \$12 billion—has yet to be resolved. State officials warn that rolling blackouts are likely this Summer.

To add to the uncertainty, a small group of extremist, neo-conservative Republicans has launched a campaign to recall

Governor Davis. Backed by nearly \$1 million from Congressman Darrell Issa (R), who wishes to replace Davis, it appears increasingly likely that the campaign will gather enough petition signatures to place the recall of the Governor on the ballot, perhaps as early as November.

Among the fanatically anti-government neo-conservatives who initiated the recall campaign are individuals, such as Ted Costa, who were instrumental in the first major attempt to destroy state government in California—1978's Proposition 13, whose passage bears historical responsibility for the budget crisis today.

The Recall and Proposition 13

In the midst of the current disintegration, California's press and pundits used the crisis as a backdrop for musings on an event of 25 years ago, which played a leading role in initiating this end-of-the-system breakdown: the victory, on June 6, 1978, of Proposition 13, a referendum which placed limits on property taxes, and the ability of local government to generate revenue. Neo-cons in the American Enterprise Institute and the Cato Institute were recently quoted hailing Prop 13. One correctly portrayed it as "the prelude to the Reagan income tax cuts of 1981," which Lyndon LaRouche called one of the most damaging pieces of legislation of the 20th Century.

Proposition 13 was a radical plan to restructure the state's economy and government, disguised as a taxpayer revolt which preyed on the fears and littleness of the voters. Journalist Peter Schrag, whose 1998 book *Paradise Lost: California's Experience, America's Future* (Berkeley: University of California Press, 1998) offers an insightful overview into the destructive nature of Prop 13, characterized it as the beginning of "a nearly constant revolt against representative government." Presented by its sponsors, Howard Jarvis and Paul Gann, as a defense of homeowners from "runaway government spending," it gave a new impetus to the deindustrialization of California, while providing a cover to the anti-government ranting of populists whose real goal was the destruction of the legacy of Franklin D. Roosevelt, and the New Deal-type government programs which were responsible for California's prosperity.

Jarvis, a huckster who was the director of a Los Angeles association of apartment owners in 1978—a group which benefitted far more, in dollar terms, than the home owners he alleged he was defending—often referred to all tax collection as "felony grand theft."

The anti-tax populism of Prop 13 is reflected in the hard-line stance of those such as Senator Brulte, whose threats of retaliation are keeping Republicans in California from reaching a compromise on a budget. On the Federal level, it can be seen in the anti-human posture of House Majority Leader Tom DeLay (R-Tex.), who led the fight for the Bush Administration's tax cuts for the rich, while insisting that poor wage earners supporting families are not entitled to relief.

Prop 13 was a fraud from the start. The most serious eco-

conomic problem for Californians in 1978 was not the increase in property taxes, though that was a symptom of what was wrong. Instead, the state was afflicted by double-digit inflation, which resulted from President Nixon's failed efforts in August 1971 to address the breakdown of the Bretton Woods system, and the decision by Wall Street to impose a post-industrial economic policy on the United States.

Jarvis and Gann appealed to homeowners who were mostly World War II veterans, and their Baby Boomer children who were just becoming homeowners, with demagogic demands to reduce the size of government. One of their slogans, which targetted the known selfishness of the Boomers, was "Vote for Yourself! Vote for Prop 13!"

The spectacular growth of the city of Los Angeles in the 20th Century had been due to major publicly financed infrastructure projects—especially water and power—which had been initiated by FDR's New Deal, and then continued with huge investments by the state, such as the California Water Project (CWP) of the 1950s and 1960s. The CWP included the construction of 16 dams, 18 pumping stations, nine power generating plants, and hundreds of miles of aqueducts, canals, and levees. It was the largest public works project ever undertaken by a state, and was complemented by a dramatic expansion in funding for public education from grade school to the university system.

This aggressive commitment to public infrastructure by the government supported an agro-industrial base, centered on manufacturing, which created hundreds of thousands of productive, high-paying jobs. This base was hit hard by the post-industrial policies of the 1970s, with ten of the 12 largest non-aerospace employers closing their plants by the end of the decade. Auto, tire, and steel plants were replaced by low-wage industries.

To carry out this low-wage "reindustrialization," newly incorporated "industrial districts" were created, with significant tax abatement. As this reduced revenue further, local governments made up the difference by increasing property taxes, based on the explosion of property values due to the rapid growth of a real estate bubble. This provided the impetus for the success of Jarvis's and Gann's Prop 13 initiative.

Lasting Effects of 1978 Referendum

While the backers of Prop 13 claim that the effects of the referendum—primarily lower taxes and "less government"—were good for the state and local economies, the opposite is true. The only real economic growth in the 1980s came from the Reagan defense build-up, in which 17% of national defense spending went to firms in the greater Los Angeles area.

This bonanza did not last, and the city became increasingly dependent on non-productive Hollywood, the "entertainment" sector, and the financial/insurance/real estate sector, in addition to low-wage jobs in apparel, furniture-making, and construction. By the 1990s, with the introduction of NAFTA and "globalization," there was a further erosion of productive jobs.

The situation was no better statewide, as the "New Economy," based on so-called "high-tech, Information Age" industries, produced another bubble, one which popped at the end of 1999, devastating Silicon Valley and the San Francisco Bay area. While "high tech" jobs in computers, telecom, and biotech dominated the business headlines, more than twice as many jobs—a total of 160,000—were created in the apparel sector, many of which paid below minimum wage. Add to this the effects of electricity deregulation—another "innovation" of the anti-government crowd—and the state's once-productive economy has been shattered. The constraints on government spending have created what Schrag calls the "Mississippification" of public services and infrastructure.

There is, therefore, dramatic evidence, when viewed from the "long wave" of 25 years, that Prop 13 and its deindustrialization tide have shattered California. Two statistics make this clear. In 1980, California was 30th among American states in poverty rates. In 2003, it has the 12th-highest percentage of population living in poverty. In 1980, as Prop 13 took hold, 15.2% of California's children lived in poverty; today, it is 25.1%.

The budget crisis, which is presently paralyzing California's political and economic elite, is a product of this 25-year degeneration since Prop 13. No combination of tax or budget cuts, populist appeals for further "downsizing" of government, or recalling the Governor, will solve this systemic problem.

There are indications that Davis, facing a serious threat from the recall campaign, is finally beginning to address the real problem. One indication is his belated, but nevertheless positive announcement that he now favors re-regulation of electricity. A bill to re-establish state regulation of electricity is moving ahead in the legislature.

But what is ultimately required is a return to the bold designs which created the California economic miracle in the first place. For this, the Davis administration and the legislature must take up the "Super TVA" infrastructure program of Democratic Presidential pre-candidate Lyndon LaRouche, which would commit the Federal government to generate the hundreds of billions of dollars of credit for infrastructure to immediately jump-start the nation's moribund economy. The return to this kind of "big government" of the FDR New Deal goes against the accepted axioms of the post-Prop 13 populism of Wall Street's anti-government extremists, but it is the only way out for California, and the nation.

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Senate Panel Passes DOD Civil Service Reform

The Senate Governmental Affairs Committee passed on June 17, by a vote of 10 to 1, the Senate response to the Pentagon civil service reform being demanded by Secretary of Defense Donald Rumsfeld. At the outset of the debate on the bill, committee chairman Susan Collins (R-Me.) underscored that undertaking reform of the Federal civil service system is "extremely important" and "likely to be a template for the future." She added that it is also "important that this committee," which has jurisdiction over civil service matters, "not cede its authority to the Armed Services Committee."

The main purpose of the exercise appears to have been to give the Senate negotiators on the Defense Authorization bill some leverage with the House in the conference committee. The House bill includes a slightly watered down version of the language that Rumsfeld demanded, but the Senate bill is silent on the matter, and the Senate has not otherwise expressed its will on the matter. Sen. Carl Levin (D-Mich.), a co-author, with Collins, of the reform bill, expressed the hope that the approach in that bill can be taken up in the conference. "This is value added to the conference," he said.

With the exception of Frank Lautenberg (D-N.J.), all the Democrats were on board with the bill, because, as ranking Democrat Joe Lieberman (D-Conn.) put it, "This bill is a balanced, bipartisan plan that would give the department the flexibility it needs without compromising worker rights and protections."

The Senate bill gives the Secretary of Defense far less authority to waive the civil service law than does the House version, and makes some parts, particularly those dealing with labor-management relations, nonwaivable. It also requires the Department to con-

sult with the Office of Personnel Management, the Merit Systems Protection Board, Federal employee unions, and the Congress, as it constructs its new personnel system.

House One-Ups Senate On Child Tax Credit

House Majority Leader Tom DeLay (R-Tex.) answered President Bush's support of the Senate-passed child tax credit extension, by bringing a much larger \$82 billion bill to the floor of the House, on June 12. The House bill maintains the \$1,000 tax credit through 2010, as opposed to the Senate bill, which only offered it for 2003 and 2004. The House bill also raises the phaseout of the so-called marriage penalty to married couples with incomes up to \$150,000, as opposed to \$110,000. Procedurally, the House approved a rule to amend a previously passed House bill, on which the Senate had substituted its own language on the child tax credit.

Democrats blasted the bill from one end to the other, in the context of the rapidly growing budget deficits and unemployment. Rep. Sander Levin (D-Mich.) charged that the GOP's strategy was to kill the Senate-passed bill, which President Bush had already supported. "They are making wimps out of some Republicans," Levin said, "who would like to vote the right way by tying this into a rule. They are making the President issue a statement that contradicts what was said on his behalf."

Rep. Thomas Reynolds (R-N.Y.), a member of the House Rules Committee, at first claimed that offsets were not necessary, because they were already included in the Fiscal Year 2004 budget resolution, and then explained that the Rules Committee's best option was "to stipulate the House prerogative to provide tax relief with

a comprehensive proposal that has broad policy support." The Democrats were not impressed. Minority Whip Steny Hoyer (D-Md.) replied that "with this rule, the GOP leadership wants to send this legislation into conference committee where it hopes to tie up the bill and watch it die a slow death."

Senate Begins Debate On Medicare Drug Bill

A confident Senate Finance Committee chairman Charles Grassley (R-Ia.) on June 16 brought to the floor of the Senate a bill, co-sponsored by Max Baucus (D-Mont.), to add a prescription drug benefit to Medicare. The bill, which passed the committee on June 12 by a 16 to 5 vote, would set up a drug benefit that would be available, whether a Medicare beneficiary joins an approved health maintenance organization, or stays with the traditional fee for service plan. For a premium of \$35 per month, drug coverage would start with a \$275 deductible, then would provide coverage for 50% of costs up to \$3,450, and then no coverage until beneficiary out-of-pocket costs reached \$3,700, and then 90% thereafter.

While Grassley expressed confidence that the bill will be passed, and President Bush has already endorsed it, the Senator also admits that he will have a difficult row to hoe. "I wouldn't want to call it a tough sell," Grassley said on June 13, "but I do have a lot of work to do in my own caucus." He also said he expected the bill to be on the Senate floor for about two weeks, indicating that there might be a large number of amendments offered. "I think Max [Baucus] and I are going to have to take a lot of time and be very patient," he said, "both on the floor and within our respective caucuses, to just answer a lot of questions."

National News

South Dakota Hails Amelia Boynton Robinson

Schiller Institute Vice Chairwoman Amelia Boynton Robinson toured South Dakota during early June, where the civil rights heroine was welcomed with the greetings from leading political figures.

- Former Democratic Presidential candidate and U.S. Sen. George McGovern, wrote on June 4:

"I am glad Amelia Boynton Robinson will be visiting South Dakota. She has been a force for good all of her life. I admire her as a great voice for reason and decency. I wish I was able to be there with her. I welcome her to my state and wish her the very best."

- Gov. M. Michael Rounds (R), wrote on June 8:

"Dear Mrs. Robinson,

"It is my pleasure to welcome you to South Dakota. Your work for civil rights in this country is commendable. The civil rights movement was one of the great events of the 20th Century, and your work and that of your colleagues has improved the lives of many in South Dakota and across this nation. I have always admired those brave citizens who faced daunting tasks to fight for a cause that they believed in. These leaders were denounced, mistreated, and persecuted, but they endured. Today, their work is something of which every person can be proud.

"Again, on behalf of all the people of this great state, welcome to South Dakota. I hope you enjoy your time here and that you will visit often."

Privatization of Air Traffic Control Blocked

A bipartisan effort in the U.S. Senate defeated the Bush Administration's attempt to privatize the nation's air traffic control system on June 12. The 56-41 vote for Sen. Frank Lautenberg's (D-N.J.) amendment to the Federal Aviation Administration Authorization maintains air traffic control as "an

inherently governmental function."

"Today the Senate spoke loud and clear: The nation's air traffic control system is not for sale," Lautenberg said. "I was shocked when I learned that the Bush Administration wanted to contract out air traffic control to the lowest bidder."

The U.S. air traffic control system is rated the best in the world. Privatization could sacrifice the safety and security of the nation's aviation system, Lautenberg said. He cited Britain, where near-miss crashes and other problems have increased by 50% since privatization, and delays caused by air traffic control have increased by 20%. The British air traffic system's finances have also been wrecked, with debt service up 80%. In Canada, the newly privatized system has run up a \$145 million deficit in just the past year, causing an additional cost to be tacked onto every airline ticket.

It was one year ago, on June 6, 2002, that President George Bush took the first step toward privatizing air traffic control, by removing language specifying air traffic control as "an inherently governmental function" from the relevant Executive Order. At the time, the Bush Administration denied that it had any plan to privatize. But, using an obscure regulatory process called Office of Management and Budget (OMB) Circular A-76, nearly all air traffic control was then reclassified to a "commercial" function, meaning that its operations could be outsourced to a private contractor.

The FAA authorization now heads to conference, for reconciliation with the House version.

Wesley Clark Questions 9/11 White House Policy

Retired Gen. Wesley Clark, former U.S. Supreme Commander in Europe, told NBC's "Meet the Press" on June 15, that "there was a concerted effort during the Fall of 2001, starting immediately after 9/11, to pin 9/11 and the terrorism problem on Saddam Hussein."

"It came from people around the White House," Clark said. "I got a call on 9/11—I was on CNN, and I got a call at my home

saying, 'You've got to say this is connected—this is state-sponsored terrorism. This has to be connected to Saddam Hussein.' And I said, 'I'm willing to say it, but what's evidence?' And I never got any evidence. And these were people who were Middle East think-tanks and people like this. I mean, there was a lot of pressure to connect this, and there were a lot of assumptions made. But I never personally saw the evidence, and didn't talk to anybody who had the evidence to make that connection."

Clark noted that in the period leading up to the Iraq War, he had kept asking: "Where is the imminence of the threat?" He reported getting calls from people, who would say, "'Well, look, don't you think the President might know something you don't know?' I certainly hoped he did. But it was never revealed what the imminence of the threat was," he said.

Clark indicated that "I am going to have to consider" entering the Presidential race, and that he would likely run as a Democrat.

Senators Call for Bonds To Build Infrastructure

Senators James Talent (R-Mo.) and Ron Wyden (D-Ore.) have introduced a \$50 billion "Build America Bonds" measure to fund transit, bridges, harbors, airports and highways projects. The *St. Louis Post-Dispatch* on June 14, in an editorial entitled "Mr. Talent's New Deal," applauded the "conservative Republican" for the program, which the author described as "a public works program that looks like something cooked up in President Franklin D. Roosevelt's first 100 days in office." The editorial said, "State governments are strapped, and money for transportation needs is vital for economic development."

Ed Mortimer, a spokesman for the U.S. Chamber of Commerce, recommended that the proposal be "strongly considered" by Congress.

The discussion of the FDR precedent in economic policy reflects the growing influence of Lyndon LaRouche's Presidential campaign, notably his call for a "Super-TVA."

It's Time for a 'New Deal'

The news coming out of the Thessaloniki summit of the European Union on June 20, was that the heads of state approved a statement citing the European Commission's intention to launch an initiative to increase European Investment Bank investment in Europe-wide road, rail, and energy projects, plus research and development. The EU summit "invites the Italian presidency to pursue this further," the statement said.

What the European Union Presidents were approving, was the proposal put forward by Italy's Economics and Finance Minister Giulio Tremonti, which goes by the name of a "New Deal" for Europe. Tremonti's plan is an update of the Europeanwide infrastructure program which would build bridges, railroads, and other transport infrastructure, as a means of creating jobs, and improving the productivity of Europe as a whole. Formerly called the Delors Plan, the proposal in fact grew out of Lyndon LaRouche's "Productive Triangle" proposal, which was first put forward during the peaceful European revolution of 1989.

While it can't be expected that Tremonti's "New Deal" will go through without a fight from the monetarists, who have sabotaged it by a denial of credit over the last decade, it is clear that the era of the "New Deal" has arrived, and it is not confined to Europe. All over the world, and even in a tentative form in the United States, the cry for an FDR-style "New Deal" is being heard.

First, let's get straight what this "New Deal" is all about. What is being discussed is state-financed major infrastructure projects, along the lines of what President Franklin Delano Roosevelt put into effect during the 1930s. Those projects, such as the Tennessee Valley Authority, and major dams like the Grand Coulee and the Hoover Dam, were models for the world, in their joint functions as job creators, and as extraordinary means for taming nature, for the greater good of society.

Second, it is well-known internationally, that the leading spokesman for an FDR-style New Deal approach, in the United States and throughout the world, is none other than Democrat Lyndon LaRouche. Espe-

cially during the 1990s, but before as well, LaRouche has championed a return to FDR-style programs for the general welfare of the population, particularly through the government sponsorship of necessary infrastructure projects. FDR was also, of course, the author of the Bretton Woods system, which embodied the principles of regulation and promotion of production, which lie at the core of LaRouche's New Bretton Woods proposal. It is also clear that the current neo-conservative and monetarist approach in Washington, is hostile to such FDR-style measures.

Those who have dared to face the severity of the global economic and financial crisis, have been raising the banner of the "New Deal" for a good number of years now. China, for example, cited the New Deal model of state sponsorship of major infrastructure projects when it embarked upon its huge water and transport construction programs in the late 1990s. More recently, the Presidents of Argentina and Brazil have appealed to the FDR "New Deal" tradition, in putting forward their approaches to solving the economic crises in their countries.

Despite the breakdowns of transportation, water, and power infrastructure in the United States—a large percentage of what the country still relies on was built under Roosevelt—the political leadership in the United States, outside of LaRouche, has shunned the FDR model. That fact makes it all the more remarkable that, in recent weeks, a Republican Senator (Jim Talent of Missouri) and a Democratic Senator (Ron Wyden of Oregon) have put forward a \$50 billion program for infrastructure construction, to be funded by Federal government bonds. The *St. Louis Post-Dispatch* did not hesitate to call this a "New Deal" approach.

It has long been the LaRouche movement's belief, that, when the American population began to face the reality of the systemic economic and financial breakdown, it would turn to the model of FDR, as the last President to successfully deal with such a crisis. Today, a turn to that approach necessarily means turning toward LaRouche. All the better, that leading political institutions worldwide are doing the same.

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Tuesdays—7:30 pm

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Thursdays—4:30 pm

• W. SAN FDO. VLY.
Time Warner Ch. 34
Wed.—5:30 pm

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• DENVER—Ch. 57
Saturdays—1 pm

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• GROTON—Ch. 12
Mondays—10 pm

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Mondays—10 pm

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Tuesdays—5 pm

• NEW HAVEN—Ch. 29
Sundays—5 pm
Wednesdays—7 pm

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Cablevision Ch. 21
Mondays—9:30 pm
Thursdays—11:30 am

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• WASHINGTON
Comcast Ch. 5
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8/24, 9/7, 9/21

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Cox Ch. 4
2nd Tue: 4:30 pm

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Mediacom Ch. 19
Thursdays—11 pm

• PEORIA COUNTY
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Sundays—7:30 pm

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Thursdays—11 pm

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• JEFFERSON Ch. 98
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LOUISIANA

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• LIVONIA
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• MT. PLEASANT
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Mon: 4 pm & 11 pm

• BURNSVILLE/EGAN
ATT Ch. 14, 57, 96
Tuesdays—5:30 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—8:30 pm

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Saturdays—7 pm

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Fridays—5 pm

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HERMANTOWN—Ch. 12
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Astound Ch. 12
Thursdays—8 pm

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Valley Access Ch. 14
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Paragon Ch. 15
Wed, Thu, Fri:
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SPNN Ch. 15
Saturdays—10 pm

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AT&T Ch. 14
Thu: -6 pm & Midnite
Fri: -6 am & Noon

• ST. PAUL (NE burbs)*
Suburban Ch. 15
ST. PAUL (S&W burbs)
AT&T-Comcast Ch. 15
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Wednesdays—10:30 pm

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Wed—11:30 pm

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• ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays: 5:05 pm

• LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm

• SANTA FE
Comcast—Ch. 8
Saturdays: 6:30 pm

• TAOS—Ch. 2
Thursdays—7 pm

NEW YORK

• AMSTERDAM
T/W Ch. 16
Wednesdays—7 pm

• BRONX
Cablevision Ch. 70
Thu—3 pm (Ch. 23)
Fri—5 pm (Ch. 23)

• BROOKLYN
T/W Ch. 34
Cablevision Ch. 67
Mon, Tue, Thu, Fri:
Betw. 5 pm - 9 am

• BUFFALO
Adelphia Ch. 20
Thursdays—4 pm
Saturdays—1 pm

• CHEMUNG/STUEBEN
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
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T/W Ch. 34; RCN Ch. 109
Alt. Sundays—9 am

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Adelphia Ch. 20
Thursdays—10:35 pm

• ONEIDA—Ch. 10
Thu: 8 or 9 pm

• PENFIELD—Ch. 15
Penfield Comm. TV*
QUEENS OPTV*
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

• SCHEDULED Ch. 16
Mondays—3 pm
Wednesdays—8 am

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Thu—11 pm (Ch. 35)
Sat—8 am (Ch. 34)

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Thu—5 pm (Ch. 13)
Sat—9 pm (Ch. 78)

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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
Tuesdays—7 pm

• REYNOLDSBURG
Ch. 6: Sun.—6 pm

OREGON

• LINN/BENTON
AT&T Ch. 99
Tuesdays—1 pm

• PORTLAND
Tue—6 pm (Ch. 22)
Thu—3 pm (Ch. 23)

• SALEM—Ch. 12
Tuesdays—12 Noon
Thursdays 8 pm
Saturdays 10 am

• SILVERTON
Charter Ch. 10
Mon, Tue, Thu, Fri:
Betw. 5 pm - 9 am

• WASHINGTON
Comcast Ch. 23
Wed: 7 pm; Fri: 10 am
Sun: 6 am; Mon: 11 pm

RHODE ISLAND

• E. PROVID.—Ch. 18
Tuesdays—6:30 pm

• STATEWIDE
RI Interconnect*
Cox Ch. 13
Full Ch. 49

Texas

• AUSTIN Ch. 16
T/W & Grande
Sundays—12 Noon

• DALLAS Ch. 13-B
Tuesdays—10:30 pm

• EL PASO COUNTY
Adelphia Ch. 4
Thursdays—8 pm
Thursdays—11 am

• HOUSTON
Time Warner Ch. 17
Tuesdays—5:30 pm
Saturdays—9 am
Mon, 6/30: 5:30 pm
Mon, 7/7: 6 pm

• KINGWOOD Ch. 98
Kingwood Cablevision
Tuesdays—5:30 pm
Saturdays—9 am
Mon, 6/30: 5:30 pm
Mon, 7/7: 6 pm

RICHARDSON

AT&T Ch. 10-A
Thursdays—6 pm

UTAH

• CENTRAL UTAH
Precis Cable Ch. 10
Aurora
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Redmond
Richfield
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Sundays & Mondays
6 pm & 10 pm

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Adelphia Ch. 8
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• FAIRFAX—Ch. 10
Tuesdays—12 Noon
Thursdays—7 pm

• LOUDDON
Adelphia Ch. 23/24
Thursdays—7 pm

• ROANOKE—Ch. 9
Thursdays—2 pm

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• ALBERMARLE
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Fridays—3 pm

• ARLINGTON
ACT Ch. 33
Mondays—4 pm
Tuesdays—9 am

• BLACKSBURG
WTOB Ch. 2
Mondays—6 pm

• CHESTERFIELD
Comcast Ch. 6
Tuesdays—5 pm

• FAIRFAX—Ch. 10
Tuesdays—12 Noon
Thursdays—7 pm

• LOUDDON
Adelphia Ch. 23/24
Thursdays—7 pm

• ROANOKE—Ch. 9
Thursdays—2 pm

WASHINGTON

• KING COUNTY
AT&T Ch. 29/77
Thursdays—5 pm

• KENNEWICK
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm

• PASCO
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm

• RICHLAND
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm

• SPOKANE—Ch. 14
Wednesdays—6 pm

• WENATCHEE
Charter Ch. 98
Thu: 10 am & 5 pm

WISCONSIN

• MADISON—Ch. 4
Tuesdays—3 PM
Wednesdays—12 Noon

• MARATHON COUNTY
Charter Ch. 10
Thursdays—9:30 pm
Fridays—12 Noon

• SUPERIOR
Charter Ch. 20
Mondays—7:30 pm
Wednesdays—11 pm
Fridays 1 pm

WYOMING

• GILLETTE—Ch. 36
Thursdays—5 pm

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