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## From the Associate Editor

**H**ow could the print and electronic mass media in the G-7 countries have passed over—reporting perfunctorily with little comment—so ominous a development as the United States government advising all American nationals to leave Saudi Arabia if they are not absolutely essential there? No other major nation, not even Britain, did so in the wake of the Khobar attacks at the end of May; clearly, a significant shift toward a U.S.-Saudi breach has occurred. The underlying reason is not any simple neo-con “get tough on the Saudis” policy; rather, and more importantly, the two Bush Administration crises—the failure of Dick Cheney’s war policy, and the hyperinflationary pressure showing itself particularly in oil—have combined. The policy of taking control of oil reserves of Southwest Asia (and other regions) by “regime change” has emerged as a policy of *destabilization* of the oil producing nations of the entire region—perhaps intentionally; what one U.S. military man called a “continuous chaos” policy of the Cheney warhawks. Our *Feature* this week takes off from *EIR* Founding Editor and candidate Lyndon LaRouche’s renewed policy proposal (he first advanced it nearly four years ago) to bring the oil price down to an agreed reasonable range by the immediate pursuit of long-term supply contracts between producer and consumer nations. This is the way oil was marketed until the aftermath of the oil crises of 25 year ago; and if taken as emergency action now, it would crush the large oil speculation interests who have vectored the price toward a disastrous \$50 a barrel.

Just how vast that speculation is, is laid out by the *EIR* economics staff’s examination of the oil-hyperinflation side of this strategic crisis. We demonstrate why the run-up to \$40 and more is not the result of any rapidly rising demand; that stopping inflows to the U.S. Strategic Petroleum Reserve would be a very small factor; that OPEC production decisions have much less to do with it than the energy policy of Vice President Cheney’s notorious 2001 White House Task Force; and that 1,000-to-1 leverage on the world’s biggest futures markets is allowing 0.4% of global oil production, to be used by speculators to determine the price of 60% of the world’s oil.

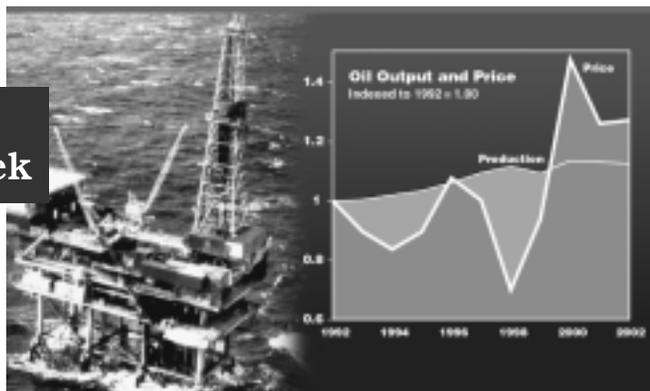
We present the past and current evidence that LaRouche’s oil policy, like his Iraq withdrawal “LaRouche Doctrine for Southwest Asia,” has implicit or explicit support throughout the Mideast and Southwest Asian region. It deserves your study and support.

*Susan Welsh*

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## LaRouche: Bankrupt Speculators With \$25 Per Barrel Oil

by Richard Freeman and John Hoefle

In a declaration of war against the speculators who had pushed the price of crude oil above \$42 a barrel, and are launching it towards \$50-60, 2004 Presidential candidate Lyndon LaRouche called on May 28 for the price of oil to be set at a target price of \$25-26 per barrel, by nation-to-nation contracts, in order to bankrupt and take away the power of the speculators, and restore order to the oil market. LaRouche has emphasized that the high oil price is not a product of a shortage of oil production, of OPEC cutting oil supplies, or other cover stories, but arises from speculation by the big oil companies, investment banks, hedge funds, and other financial players, who are using the extra “take” to try to hold the financial system together.

However, some in the circle of Vice President Dick Cheney favor a currently ongoing destabilization of the entire Southwest Asia and contiguous region: from the disaster in Iraq; to the recent terrorist assault in Al-Khobar, Saudi Arabia, against a complex housing foreign oil workers, which killed two dozen people; to the violence in Pakistan; which would create chaos in the region. This plan, sanctioned by certain financial players who think the financial system can't be held together, would trigger a conflagration in Southwest Asia, and send the oil price to unprecedented heights.

Already in a Sept. 19, 2000 memorandum, entitled, “Bring Oil Inflation Under Control,” LaRouche had asserted that governments must declare a general strategic emergency, and “establish contracts, directly between and among governments, of not less than 12 months’ government scheduled deliveries of petroleum from exporting to consuming nations”; at the same time, defining “reasonable prices for these contracts.” Based on these principles, the plan would “bring a most critical segment of this speculative inflation under control,” and also “set standards of cooperation now

urgently needed, for dealing with the general international banking and related crises” (see page 10). Put into practice today, this urgent solution would bring the price of oil to the \$25 range.

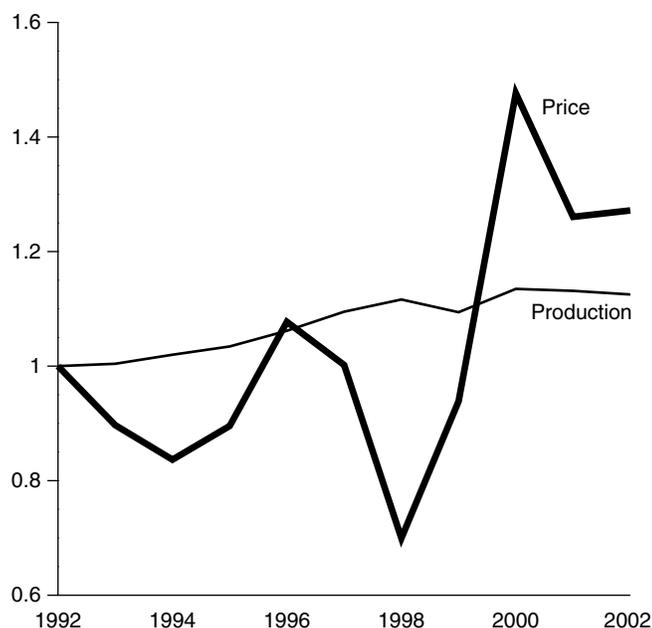
### Rigged Market

Some fools will insist on buying the Brooklyn Bridge, no matter how many times you tell them it's already been sold. The same is true with the story that there is an oil shortage. The truth: No oil shortage exists. Figures from the Paris-based International Energy Agency (IEA), the central collection point for world oil information, show that for the first quarter of 2004, world oil supplies were in the range of 82.3 million barrels a day (mbd), with consumption lower, in the range of 80.5 mbd to as high as 81.5 mbd. Thus, the world was in surplus during the first 90 days of the year, during the very period that world oil prices leapt by \$7 per barrel.

Furthermore, there is no relationship between the price of oil and the amount of oil being produced. Over the past several decades, oil production has increased slowly and predictably. *Figure 1* shows that, since 1992, production has grown by approximately 15%. Though not shown, world oil consumption has also grown gradually and predictably. Only if production had dropped significantly, or consumption risen steeply, should the world oil price have jumped up. Neither of these two changes has happened. How, then, should one explain the activity of the past dozen years, in which the oil price swung wildly up and down, regardless of *rising* production levels? *Figure 1* shows the price gyrated wildly, first downward, then upward, then down again, and then up; today, the oil price is more than 50% above its 1992 level.

The key to the ability of the financiers behind the oil cartel to manipulate prices in the oil market, is the shift which occur-

FIGURE 1  
**World Oil Output and Price, 1992-2002,  
 Indexed to 1992 = 1.00**



Source: British Petroleum; New York Mercantile Exchange; EIR.

red during the oil crises of 1974 and 1979, in which long-term contracts—frequently for 24 or 36 months—at stable prices were replaced with the spot market and then the futures markets.

### Spot and Futures Markets

The oil spot market was created in 1969 by the Lazard/Rothschild-allied Philipp Brothers, then the world's largest metals trader. Philipp Brothers, largely in the person of their top trader Marc Rich, began by selling small quantities of Iranian crude oil to independent refiners. The oil shocks of 1973 and 1979, which were orchestrated by the financier oligarchy under the cover of the OPEC oil embargo and the fall of the Shah in Iran, resulted in a shift in oil pricing away from long-term contracts toward the Rotterdam-based spot market. By "spot" is meant, that one buys the oil at a market only 24-48 hours before one takes physical (spot) delivery, as opposed to buying it 12 or more months in advance. In effect, the spot market inserted a financial middleman into the oilpatch income stream in much the same way that deregulation would later do for electricity.

Today, the oil price is largely set in the futures markets. The two principal locales which dominate oil futures trading are the London-based International Petroleum Exchange (IPE), established in 1980, and the New York Mercantile Exchange (NYMEX), which is more than a century old, but

also first started trading oil futures in 1983. Traders call futures contracts "paper oil": the contracts are a paper claim against oil, which is far in excess of the volume of oil produced and actually delivered at oil terminals on behalf of those contracts.

The traders transact a large volume of derivatives bets. Speculators purchase on the IPE and NYMEX exchanges, futures contracts; each single contract is a bet on 1,000 barrels of oil. More than 100 million of these oil derivatives contracts were traded on these exchanges in 2003, representing 100 billion barrels of oil. In a year 2000 study, *EIR* showed that on the IPE, for every 570 "paper barrels of oil"—that is futures derivatives covering 570 barrels—traded each year, there was only one underlying physical barrel of oil. The 570 paper oil contracts pull the price of the underlying barrel of oil, manipulating the oil price. If the speculators bet long—that the price will rise—the mountain of bets pulls up the underlying price.

But worse, there is a second layer of leverage. At the London IPE, the speculator can buy a futures contract on a margin of 3.8%. That is, were the speculator to buy a single futures contract, representing 1,000 barrels of oil at, say, an oil price of \$40 per barrel, then the contract represents \$40,000. However, the speculator pays only \$1,520 for the premium of the contract—or 3.8% of the \$40,000—which gives him control over the contract. Through an investment of \$1,520, the speculator controls 1,000 barrels of oil. A small group of speculators, through leverage, control the world oil price.

London's IPE has reported that its trade with Brent Crude oil contracts reached 375 million barrels in open-interest contracts on May 14, the highest level ever. This is about five times the total daily production of all sorts of oil worldwide. The daily turnover of Brent Crude future contracts at the IPE now approximates twice the global daily production of oil. But physical deliveries of Brent Crude, produced in 19 North Sea oil fields, are *imploding*. During the early 1990s, daily production of Brent Crude was about 700,000 barrels per day (bpd), but it fell to 570,000 bpd in 1999; 385,000 bpd in 2002, 327,000 bpd in 2003. According to the energy research firm Platts, it will sink further to 277,000 bpd this year. The outstanding amount of speculative Brent Crude futures on May 14 surpassed the daily physical production by a factor of 1,250.

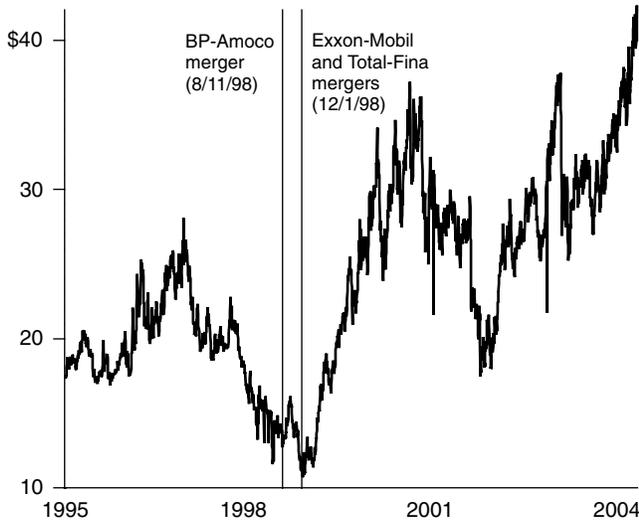
In spite of the fact that Brent Crude now represents less than 0.4% of worldwide production, its futures price determines the price of 60% of global oil production.

A NYMEX document, "How the Exchange Works," boasts that it has nothing to do with oil production. "Yet the buying and selling on the Exchange occurs amid the winding streets of the oldest section of New York, with nary an oil well or copper mine in sight. In fact, many thousands of transactions conducted on the Exchange each day are accomplished without the participants ever seeing a gallon of heating oil."

FIGURE 2

## Mega-Mergers of Oil Companies Occurred During Low Oil Prices

Oil Price, West Texas crude (\$ per barrel)



Source: *Wall Street Journal*

### Cartel Instruments: IPE and NYMEX

But the IPE and the NYMEX, where nary a barrel of oil is to be seen, are the in-house tools of the House of Windsor Raw Materials Cartel, and its allies in the banking world.

Consider the IPE, which was created in 1980. Today, the IPE is run by a Knight of the British Empire and former Royal Dutch/Shell official, Sir Robert Reid, and has a board which includes Lord Fraser of Carmyllie, representatives of Goldman Sachs, Morgan Stanley, BNP Paribas, Credit Lyonnais, and French oil giant Total. In 2001, the Atlanta, Georgia-based Intercontinental Exchange purchased the IPE. The Intercontinental Exchange's board includes the retired CEO of Royal Dutch/Shell's trading arm Coral Energy, the Chicago Board of Trade's Richard Sandor (himself a former banker with Banque Indosuez and Drexel Burnham Lambert), and one Jean-Marc Forneri, a banker who from 1994-96, was a partner at Demachy Worms & Cie., where he ran the investment-banking activities of Group Worms. World War II U.S. Intelligence services identified Banque Worms as the central powerhouse of the Synarchist fascist movement in Vichy, France.

The biggest oil derivatives traders which run trading on the IPE include Barclays Capital, Bear Stearns International, J.P. Morgan Securities, Deutsche Futures London, BP Oil International, Shell International Trading and so forth—the key components of the British oligarchy's world oil cartel.

## Oil Geopolitics Central To Cheney Task Force

From January through May, 2001, Vice President Dick Cheney headed up the Bush Administration's National Energy Development Task Force, which tenure became legendary for its bull-headed cover-up of criminal bilking of California for billions of dollars in illegal electricity trades, contrived power shortages, black-outs, etc. Just this May, yet more evidence was released on Cheney's protection racket: transcripts of taped phone calls of Enron energy speculators gloating over swindles in California—swindles which Cheney's Task Force stubbornly protected from investigation.

However, the geopolitics of oil, as well as natural gas, were also a central part of the stated, and the secret dealings of the Cheney energy czarship. Three aspects of the Vice President's energy policy illustrate the essentials of his record.

**Energy NAFTA:** The Cheney/Bush campaign announced its energy policy on Sept. 28, 2000; its central concept was an "Energy NAFTA." The idea was to open up for Enron, El Paso Gas, Reliant, Exxon-Mobil, and the rest, a border-free zone for operations and all kinds of speculation—oil, natural gas, refinery control, electricity, etc. Bush said he would "invite the governments of Canada and Mexico to join in developing a North American Energy Policy" rooted in the "principles of free trade and the free flow of energy across our borders." In fact, "Energy NAFTA" was just a cynical propaganda gloss for the shift already underway, for U.S. oil imports to come predomi-

The NYMEX's pedigree is the same as the IPE's.

It is lawful that the same Intercontinental Exchange which purchased and owns the IPE, was leading the speculation that drove up U.S. electricity prices during the manipulation of 2001-02, which featured other players such as Enron.

In an attempt to break the oil price spiral, this past week Saudia Arabia has committed to producing 2 million additional barrels of oil per day. However, as of June 2, speculators had taken out 77,000 oil futures at the NYMEX taking a "long" position; ie, betting that the oil price would rise. Through such bets, they act to make the price go up, and cover their own bets. Because each contract represents 1,000 barrels, the "longs'" contracts constitute the equivalent of three-quarters of a billion barrels of oil, a far larger sum—which the speculators would use to overwhelm the Saudi's production increase of 2 million barrels per day. This is part of the warfare now ongoing.

nantly from Mexico, Canada and Venezuela, and not from Saudi Arabia or elsewhere. The “Energy NAFTA” import patterns are shown in the Table on page 8).

**Global Oil Control:** On May 16, 2001, the Cheney Task Force presented his final, 170-page report, “Affordable and Environmentally Sound Energy for America’s Future.” While downplaying California’s unprecedented crises, and calling for more energy deregulation across the board, the Cheney report called for *international control over priority oil resource regions*. The report’s theme was “development of future supplies,” the refrain used earlier in a March 19, 2001 interim report of Cheney’s, as a rationalization to reject providing any price caps or Federal relief for energy hyperinflation in the Western states. The related theme, repeated in recent years as a sop to popular opinion, was, to reduce dependence on “foreign oil.”

How to do this? Take oil and gas from the Americas. Bush’s prepared statement on the Cheney report, also released May 16, said, “We’ll also need to recognize the energy potential of our neighbors, Canada and Mexico, and make it easier for buyers and sellers of energy to do business across our national borders.”

Cheney’s imperial view of “future energy supplies” can be seen in the map of oil resources and infrastructure in Iraq, that the Cheney Task Force was working on in March 2001—it was subsequently obtained by Freedom of Information action. The 2003 Iraq war succeeded in “securing” these supplies. They, and Saudi Arabia’s, are actually now completely unstable and insecure; but Cheney’s own Halliburton oil company received some \$1.7 billion in no-bid contracts from the U.S. government, for doing business in Iraq oil fields.

—Marcia Merry Baker

### Cheney’s Plan To Grab Iraqi Oil



The Cheney task force was working with this map in March 2001.

### Efforts to Drive Up Oil Price

The Oil Cartel is employing two other tactics to push up the oil price. **Figure 2** shows that the oil cartel has reduced U.S. oil refining capacity to below the level of 1980. The U.S. knew perfectly well that the demand for refined oil products, such as gasoline and jet fuel, would rise during the 1990s and the first decade of the 21st Century. It was criminal to reduce capacity, but reduced capacity pushes up the price. *EIR* has learned that during the past few years, the Saudis offered to invest in constructing new oil refining capacity in America, but the offer was rebuffed.

The June 1 *Financial Times* reports that because of restricted capacity, the largest U.S. oil refinery companies—Valero, Premcor, Tesoro, and Ashland—are making more than \$10 for each barrel of oil that they refine. It should be stressed that the oil majors make one-third of their revenues from refining and marketing.

The oil companies’ have plunged into a predatory gob-

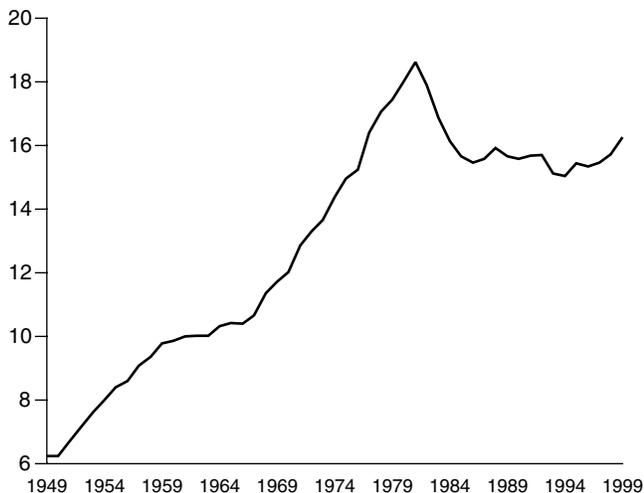
bling up of each other, which has also caused the oil price to rise. **Figure 3** shows a striking relationship between oil prices and major oil company mergers. In August 1998, with oil hovering in the \$12 a barrel range, British Petroleum bought Amoco, one of the top U.S. oil companies, with large holdings of domestic oil and natural gas. In late November 1998, two more giant mergers were announced: Exxon bought Mobil, and France’s Total bought Petrofina. These three mergers, along with the October 2000 takeover by Chevron of Texaco, significantly consolidated the oil cartel. The Seven Sisters have been reduced to five: Royal Dutch/Shell, BP (née British Petroleum), ExxonMobil, ChevronTexaco and Total (which also gobbled up Elf Aquitaine). During this crisis, the stocks of major oil companies have jumped up.

The massive oil futures speculation, buttressed by the deliberate reduction in U.S. oil-refining capacity, and the long-term effect of merging of the oil companies, pushed the price of U.S. light crude oil for July delivery to a record closing

FIGURE 3

### U.S. Crude Oil Refining Capacity

(Millions of Barrels per Day)



Sources: U.S. Department of Energy, Energy Information Agency; International Energy Agency, Monthly Oil Report, July 2000; other oil industry sources.

price of \$42.33 on the NYMEX June 2, before the price fell back somewhat. By this process, the wealthy oligarchical families that own the oil cartel, and related banking houses, have tightened their grip on world energy supplies, and realized enormous profits, some of which loot has been deployed to prop up the bankrupt world financial system.

This process has intersected and led the global inflationary process triggered by insane money-printing policies of Alan Greenspan's Federal Reserve Board, in an attempt to hold up the \$400 trillion in bloated speculative financial aggregates with a "wall of money." This two processes feed a Weimar-style hyperinflationary shock wave that would rip apart the global economy.

### Spreading Chaos

It is precisely at this point that the onrushing global economic breakdown intertwines with the worsening strategic crisis. One threatened possibility is major oil supply disruptions due to terrorist attacks. Already Saudi Arabia, the world's largest oil producer at 8.5 mbd, has been the recipient of three terrorist attacks within the past six weeks, including a penetration of that country's security screen.

This directly threatens the world financial system. All major nations are vulnerable to an oil import cut-off. This is particularly true of the United States, as shown by examination of its physical import flows. **Table 1** shows that between 1971-72 and 2004, the level of U.S. oil imports—principally crude oil but also some other petroleum products—has tri-

TABLE 1

### U.S. Imports: Crude Oil and Some Oil Products

Year	Millions Barrels per Day
1971-72	4.33
1980	6.91
1990	8.02
2000	11.46
2001	11.87
2002	11.53
2003	12.25
1Q, 2004	12.38

Source: Energy Information Agency, U.S. Department of Energy; *EIR*.

pled. To see the evolution of U.S. oil import dependency: In 1971-72, oil imports accounted for 29% of U.S. oil consumption; today, oil imports account for 61% of consumption.

However, over the last five years, for geo-political rea-

## The Build-Up of Strategic Oil Reserves

The term "strategic oil reserves" does not refer to the vast reserves of known, but not-yet-extracted oil deposits, amounting to several decades' worth at the current level of world consumption. The term strategic oil reserves, rather, refers to those amounts of crude oil, or oil intermediaries, that have already been extracted, but are stored in depots, and are therefore available in the short run, in times of emergencies.

In the aftermath of Sept. 11, 2001, the Bush Administration decided to increase the U.S. Strategic Petroleum Reserve (SPR)—established in 1975—from 540 million barrels to 700 million barrels, the maximum capacity of its present depots (huge underground salt caverns along the coastline of the Gulf of Mexico). About 40 million barrels were added to the SPR in 2003, and another 20 million barrels so far this year. Currently, the SPR contains roughly 660 million barrels.

On top of this, there are the commercial oil inventories. In January 2004, commercial inventories had plunged to their lowest levels in 30 years, but since then they have been built up. According to the latest "Oil Market Report" by the International Energy Agency (IEA), total stocks on hand in the United States—that is, commercial plus

TABLE 2

**U.S. Oil Imports, Percent by Nation or Region**

Year	Saudi Arabia Percent	Iraq Percent	Total Persian Gulf* Percent	Canada, Venez., Mexico, & Nigeria Percent
1971-72	3.7%	0.2%	5.6%	50.1%
1980	18.3	0.4	22.0	33.7
1990	16.7	6.5	24.5	43.8
2000	13.7	5.4	21.7	49.1
2001	14.0	6.7	23.3	35.9
2002	13.5	4.0	19.7	48.0
2003	14.5	3.8	20.3	48.7
1Q, 2004	11.8	5.0	18.3	51.8

\* Saudi Arabia, Bahrain, Iran, Iraq, Kuwait, Qatar, the United Arab Emirates, as well as Algeria.

Source: Energy Information Agency, U.S. Department of Energy; *EIR*.

sons, U.S. oil imports have been shifted away from the Persian Gulf. The order of the nations from which the United States

imported oil during the first quarter of 2004 was: 1. Canada (2.12 mbd); 2. Mexico (1.60 mbd); 3. Venezuela (1.54 mbd); and 4. Saudi Arabia (1.46 mbd). The alleged stranglehold that the “Arabs” have over U.S. oil supplies, does not exist. Second, the United States has positioned itself so that, should the Synarchists behind Cheney blow up the Middle East, U.S. oil exposure is significant but much less than before. **Table 2** shows that today, America receives less than one-fifth of its imported oil from the Persian Gulf, while by contrast, it gets more than half of its imports from four countries: Canada, Venezuela, Mexico in the Western Hemisphere, and Nigeria.

LaRouche judges that a powerful faction of financiers, knowing that the financial system is doomed and postponement of its crash can’t continue, will take the initiative to trigger a crash now, unleashing a strategic chaos operation throughout Southwest Asia. Oil fields might be damaged or destroyed. LaRouche pointed to the build up of stored oil in the U.S. Strategic Petroleum Reserve (SPR), a series of Gulf Coast salt-dome caverns, which would be used to survive an oil cut-off (see page 6). This destabilization is showing its traces in Iraq, Saudi Arabia, Afghanistan, and Pakistan.

government-owned stocks—amounted to 1.57 billion barrels at the end of 2003. As the U.S. imports roughly 12 million barrels a day, oil stocks correspond to roughly 130 days of foreign supplies. In addition, there are significant domestic oil reserves of yet-unextracted oil, in the United States.

In recent weeks, several Democratic Senators have called on the Administration to stop buying oil for the SPR, or even, to use oil from the SPR, to dampen sky-rocketing gasoline and diesel prices. These calls have been flatly rejected by the Bush Administration. White House spokesman Scott McClellan said on May 19 that the strategic reserve was for use in “national emergencies, in the event we would be attacked, or there would be severe disruptions in the supply of oil.” President Bush on the same day noted: “That petroleum reserve is in place in case of major disruptions of energy supplies to the United States. . . . The idea of emptying the Strategic Petroleum Reserve would put America in a dangerous position in the war on terror. We’re at war. We face a tough and determined enemy on all fronts, and we must not put ourselves in a worse position in this war.”

Among the other so-called industrial countries, there exists a certain standard for strategic oil reserves, demanded by the International Energy Agency (IEA). The IEA had been set up by the Organization of Economic Cooperation and Development (OECD) following the 1973 oil crisis. Its members are the United States, Canada, the European Union, and other Western European countries, Japan,

South Korea, Australia, and New Zealand. The IEA demands that every member country builds up oil reserves covering 90 days of supplies. Members of the European Union are also bound by law to maintain oil reserves amounting to at least 90 days of consumption. The European Commission last year proposed that the oil reserve requirement should be upgraded to 120 days of consumption, but no decision has yet been made. The main problem in the European Union (EU) now, is the 10 new EU members, which at present do not have enough reserves.

Probably the most vulnerable countries presently, in respect to oil supply disruptions—at least in the physical sense—are China and India. Both countries are in cooperation with the IEA and have announced plans to build up strategic oil reserves. However, presently, these do not exist. The Chinese government, at the end of last year, said China will build four strategic oil reserves in the coastal regions. China imports about one-third of its oil consumption. The Indian Petroleum Ministry, in September 2003, announced plans to build strategic oil reserves covering 45 days of demand. India’s import dependency in respect to crude oil is 70%.

Obviously, it has to be noted that while strategic oil reserves could supply physical demand for transportation, heating, production, and military purposes for some time, the devastating effects of sky-rocketing oil prices would hit all the OECD economies nevertheless, and could easily sound the death knell for the global financial system.

—Lothar Komp

# LaRouche: Bring Oil Inflation Under Control

*This memorandum was originally issued by Lyndon H. LaRouche, Jr. on Sept. 19, 2000, embodying the same proposed policy-change LaRouche is proposing in the current oil hyperinflation crisis.*

1. The following statement constitutes a preliminary statement of policy “On the Subject of Emergency Action by Governments to Bring the Present Petroleum-Price Inflation Under Control.”

2. Broadly, the current global inflation in petroleum prices threatens to be the detonator of a chaotic breakdown in many, if not all of the economies of the world. The actions proposed here to deal with that emergency situation will not solve the more general problem of the world’s financial and monetary systems at large, but will contribute an important, and perhaps decisive step in that direction.

3. The underlying cause of the crisis, of which the petroleum-price crisis is but the presently leading political-economic consequence, is a general hyperinflation in financial asset-prices, which is now being expressed, at increasing rates, as a hyperinflation in commodity prices now following a trend similar to that suffered by Weimar Germany during the interval March-November 1923.

4. For sundry, converging, and relatively obvious reasons, the most brutal effect of that upward spiral of financial hyperinflation is being expressed in devastating rates and magnitudes of rises in the costs of petroleum. The increasingly desperate effort to secure inflows of financial assets into the U.S. dollar sector, has seized upon several combined factors, as the opportunity to increase asset-price accumulations from hyperinflationary trends in the delivery prices of petroleum products.

These factors include: recently increased concentration of ownership of major oil companies through mergers and acquisitions, the increased role of the spot market in petroleum deliveries, the significance of denomination of deliveries in U.S. dollars, and an intensity of speculative activity, especially in the form of financial derivatives, in this area which threatens to bring the per-barrel price of petroleum to between \$40 and \$50 per barrel, soon, and not much later, much higher.

5. No ordinary means could bring this problem under control during even the short term. Only drastic measures taken in concert between and among sovereign national governments, could bring the petroleum-price crisis itself under control. Any other proposal would be a childish delusion. For the immediate future, either such governmental action will be

taken, or the eruption of international chaos within the weeks ahead were the likely result.

6. The appropriate action, which must be led by the U.S. government, must aim at immediate emergency cooperation among the governments of principal petroleum-exporting and principle petroleum-consuming nations.

7. These governments must: a) Declare a general strategic emergency in the matter of stability of flows and prices of essential energy-supplies of national economies; b) Establish contracts, directly between and among governments, of not less than twelve months government scheduled deliveries of petroleum from exporting to consuming nations; c) Define reasonable prices for these contracts; d) On the grounds of a global strategy emergency in petroleum prices and supplies, these governments must set priority on processing of such contracted petroleum flows through relevant refiners to priority categories of consumers in each nation, causing other stocks to be shunted to one side in the degree that these priority deliveries must be processed first.

8. Such action will, obviously, collapse much of the current hyperinflationary trends in petroleum. That will have a significant political effect, in the form of reactions from the speculators currently gorging themselves on the suffering of national economies suffering zooming speculative prices of petroleum. We can not permit the cupidity of a powerful few speculators to destroy enterprises essential to the national interests of nations, and to the relations among those national economies. That opposition to urgently needed measures must be resisted on grounds of overriding national strategic interests.

9. This proposed action will not cure the more general hyperinflationary trend in progress. It will only bring a most critical segment of this speculative inflation under control; but it will set standards of cooperation now urgently needed, for dealing with the general international banking and related crises about to strike the world as a whole during the weeks and months immediately ahead.

10. There are many details of the current speculative marketing of petroleum contracts which require closer scrutiny and related assessment. That investigation should proceed; it is urgent. However, those representatives of governments who understand the politics of oil, must play a leading role in implementing the general measures I have indicated, now, without delay. After a thirty- to ninety-day initial period of operation of the proposed agreements, secondary and tertiary features of the problem will be clearer, and, most important, governments and others will have developed the mechanisms needed for further courses of action.

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# The Middle East as A Strategic Crossroad

by Lyndon H. LaRouche, Jr.

May 26, 2002

The world has come to a crossroads in modern history. If the world were to continue along the pathway currently chosen by my government and some others, civilization will be plunged, for as long as a generation or more, into a global dark age comparable to that which struck Europe about seven-hundred-fifty years ago. We must not pretend that danger does not exist; but, also, we must commit ourselves to the hopeful alternative which wise governments will prefer. Therefore, I shall speak frankly, but also optimistically, of a second crossroads: the Middle East.

The history of oil in this region, began with the British Navy's plans for what became known as the Great War of 1914-1918. That Empire intended to use petroleum extracted from this region, to provide its navy the crucial strategic advantage of a change to oil-burning, from coal-burning warships. Since that time, as all nations represented here know, this region has been dominated by the great powers' struggles over control of the special, strategically significant economic advantages of oil extracted from this region. But, it was never oil alone which shaped the fate of the Middle East; for as far back as known history of civilization reaches, long, long before the discovery of oil, the Middle East has been the strategic crossroads of Eurasia and Africa combined, as it is today. With or without petroleum, the historic strategic significance of the Middle East would remain.

Now, there are ill-conceived plans, including those which have been the subject of some discussions between my government and Russia's, to attempt to by-pass present world strategic dependency on Middle East oil. Such a policy could only bring an added factor of chaos to an already explosive world monetary-financial and economic situation as a whole. I would hope that I could persuade the powers to abandon recklessly incompetent economic and geopolitical impulses such as those.

In any sane ordering of the world's strategic economic affairs, Middle East oil will continue to be an outstanding factor in the petroleum supplies of the world economy for at least a generation or more yet to come. This would be so, for what should be the implicitly obvious economic reasons. However, as in all matters of current world affairs, given the desperate situation of the world today, we can not

be so naive as to presume that powers which may be great, or even simply powerful, will, therefore, react sanely to the relevant strategic facts of the situation.

I focus on the subject of oil, but do that within the context of the historically determined strategic options for a Middle East defined in its ancient and continuing role as a crucial strategic crossroads of Eurasia. After defining that context, I shall return our attention to petroleum as such, situating the production and marketing of petroleum as a presently crucial factor of vital strategic importance for the Middle East as a region with special ecological and implicit cultural qualities.

I concentrate on three distinct, interacting factors to be considered in the attempt to forecast the prospects of the region, and also its petroleum: the ecological, the economic, and the political-strategic factors.

To begin, zoom in, as if from an orbiting space-station, upon the past and present ecology of this region of the world's biosphere. In our imagination, let us watch the long-range historical process, of melting of the great Eurasian glacier, over the interval from about 19,000 years ago, when ocean levels were approximately 400 feet below those today. Watch the evolution of the Mediterranean region over the following millennia. Watch the later phase of great dessication of the once-rich, desert regions of the Sahara, Gulf, and Central Asia. From the standpoint of that lapsed-time panorama, we are reminded in the most useful way of a fact we already know: that the most critical of the strategic economic factors inside the Middle East region as a whole today, is not petroleum, but fresh water. The characteristic of that portion of a predominantly Islamic civilization, which extends from Asia's "roof of the world," westward, through the Middle East, and across northern Africa, is the continuing struggle against the aridization which has continued during approximately the past six to eight thousand years.

Today, we have the scientific potential to begin to control, if not entirely reverse some of the effects of that post-glacier process. That is the principal strategic ecological challenge which obstructs the realization of an otherwise great potential, a potential which has existed for the greater part of two millennia, in Arab civilization. It is to the degree that we make significant steps toward applying and improving the methods for production and distribution of fresh water, that other crucial factors of development can be brought into play. In that case, we shall see the implicit strategic potential of the Middle East as the crossroads of Eurasia. Any long-range forecast of the prospects of Middle East petroleum must be studied in the context of that challenge.

The development of fresh-water production and management, which is interlinked with the role of petroleum, is the indispensable foundation for all other optimistic prospects for a peaceful and politically stable internal development of the Middle East region. If people lack essential means to



*Lyndon LaRouche speaking June 1 to the Zayed Centre for Coordination and Follow-Up in Abu Dhabi, at the opening of the Centre's two-day conference. On LaRouche's right is U.A.E. Oil Minister Obeid Bin Saif Al-Nasseri, and on his left, former Iraqi Oil Minister Essam Abdul-Aziz Al-Galabi.*

live, there is no peace; they will live as the successive waves of "land pirates," including the Mongol empire, swept into Europe, and the Middle East, from across Eurasia, in times past. There will be no peace without adequate provision of water.

### **The Land-Bridge Concept**

This brings me to the pivotal economic issues. For this purpose, view the Middle East's greatest economic potential in its role as a pivotal economic-strategic crossroads for Eurasia as a whole. While the Suez Canal's strategic importance for the link between the Mediterranean and Indian Ocean is obvious, I shall indicate why the cross-land routes across the Middle East are far more crucial forms of transport for Eurasia as a whole, and also for the Africa-Asia connections.

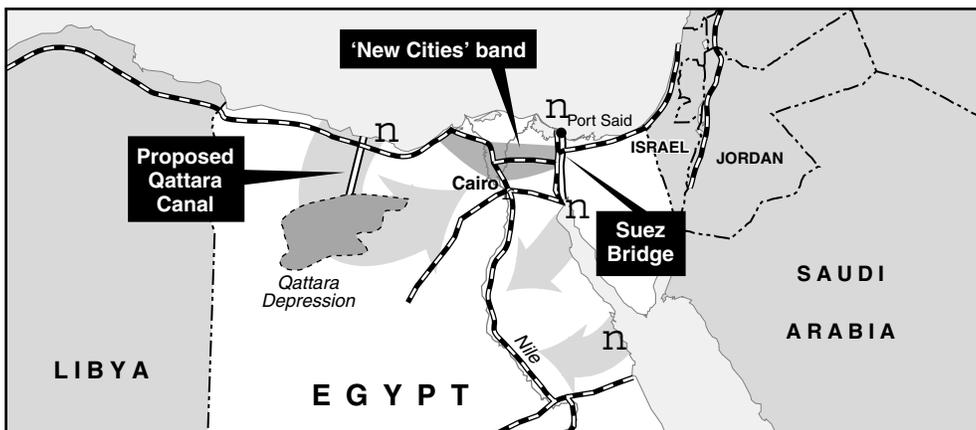
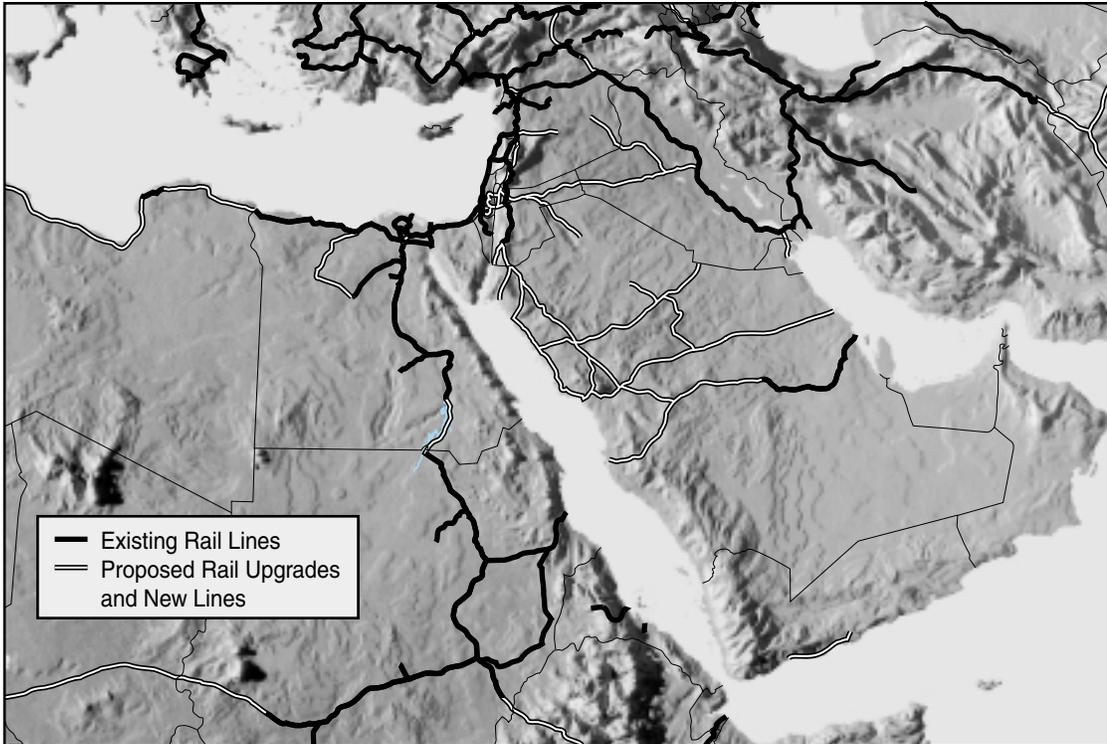
It is a simple fact of accounting, that the cost of transporting a product, as, for example, by sea, or by other means, must be compared with cost of production of that product, up to the point of embarkation. Therefore, we tend to transport products, such as petroleum and grains, which have a relatively lower price per ton, by slower, cheaper water transport. The more useful work, as value added, to the product, as it moves through various phases of production, lessens the percentile of costs of transporting the value represented by that product as a whole. Therefore, the more real value-added, by production, to a raw or semi-finished material, the greater the relative prosperity the export of the products, adds to the exporting nation or region of a nation. This has always been understood by the greatest economists and statesmen of the Americas and Europe, since about 150 years ago.

Until modern times, transport by water continued to be the principal roadway of progress in the material conditions of human life. This continued until one-hundred-seventy years ago, when the German-American economist Friedrich List outlined what became the railway revolution. This development was accelerated by the successful development of the U.S. transcontinental railway system, a development of crucial importance for the U.S. emergence as a leading world economic power, under President Abraham Lincoln. After 1876, American methods typified by the development of the American transcontinental railway system, were adopted in Germany, Russia, Japan, and elsewhere, including China.

Admittedly, the effort to connect the Atlantic to the Pacific, eastward, by rail, as the U.S. had connected the Atlantic to the Pacific westward, was seen by the British Empire as a threat to that empire's strategic maritime supremacy in the world as a whole, with the two so-called geopolitical world wars of the Twentieth-Century as a result. Admittedly, there is an influential, utopian faction inside the U.S. today, which is prepared to unleash a geopolitical war throughout continental Eurasia, for the purpose of preventing the internal development of the mainlands of Asia and Africa. Those geopolitical policies are contrary to all rational definitions of the interests of a U.S. economy which is now wracked by an onrushing world monetary-financial collapse. Unfortunately, those policies exist among some presently very influential circles.

Whatever U.S. policy might appear to be now, the reality of the present world economic crisis, will probably force some

**Greater Middle East, Existing and Proposed Rail Development (Arab League)**



*“While the Suez Canal’s strategic importance . . . is obvious, I shall indicate why the cross-land routes across the Middle East are far more crucial forms of transport for Eurasia as a whole. . . .” Bottom map shows Egypt’s new railroad bridges across the Canal.*

sweeping changes in U.S. policy and thinking during the near future. There is no hope for the economic revival of the U.S.A. from the present world economic crisis, without precisely such cooperation in the land-transport-based development of the Eurasian and African continents as a whole. If the U.S. is to find a solution to the inevitable early disasters caused by

its present policies, this must include a special role for the Middle East.

The approach to a solution to that strategic crisis, does not lie in oil as such, but in the way petroleum production and marketing can be applied to serve the broader long-term interests of the region. Stable governments within the region,

## LaRouche's 'Oasis Plan'



The most crucial economic issues of the Middle East require water and power development, as a basis for a solution to the Israel-Palestinian conflict. Here we show LaRouche's Oasis Plan for the area, issued in the late 1980s.

and stable relations with areas outside the region, are the first line of defense of the region from the forces and other perils which presently menace it. The crucial role of transport development is a leading example of the measures of defense required.

The special advantage of modern rail, or magnetic levitation, as compared with sea-based transport, lies in the elementary fact, that with rare special exceptions, the product transported by sea does not improve, in itself, during transport. Under the right conditions, long-range transportation corridors, which are based on a central role of modern rail or magnetic-levitation transport, are, in net effect, cheaper and faster routes of transport than the seas. As in the case of the original U.S. transcontinental rail systems, these routes

were not merely roads of transport; the transportation system transformed a virtual economic wasteland into a rich region of powerful economic development. In effect, every average kilometer of investment in the transport system along these main and subsidiary routes gave back to the nation a net amount of produced wealth from agriculture, mining, and manufacturing, far in excess of the cost of developing and maintaining the system.

Instead of thinking of simply connecting two points with a long-distance rail line, or magnetic-levitation system, think of the transport line as the central spine of a development corridor of up to fifty to a hundred kilometers width. Running parallel to the spine are main-line conduits of water and power. At appropriate places along the spine, agro-industrial-residential complexes are placed. Satellite areas of a similar type also lie within the same corridor. What I have just described in a summary way, is a modern equivalent of the methods which produced an agricultural-industrial revolution in the U.S. approximately a century and a half ago.

By concentrating resources of transportation, water, and power within development corridors, the most efficient use of those resources can be managed. The most economical use of the total available land-area is achieved by tending to concentrate development in those corridors. Under conditions of continued growth, subsidiary development corridors will branch out from the principal ones.

principal ones.

This same method can be applied, with a combination of technologies either existing, or within reach, to transform the interior of Asia, including its deserts and tundras.

Under proper policies, the net cost of such development corridors is less than zero. As goods flow along the spine of the corridor, new wealth is being generated in and around each of the nodal agro-industrial-residential locations along the route.

Now, look at the core of the Arab world, from the Atlantic to the borders of Iran, Turkey, and Trans-Caucasus. Center our focus upon the Suez Canal and Sinai, where Africa joins Asia. Focus on sea-borne transport between the Mediterranean and Indian Ocean; see the criss-crossing of the region by

relevant natural choices for routes of land-based development corridors intersecting seaports. Think of the volumes of raw materials and semi-finished goods, flowing toward the Middle East, by sea and by land, from Asia westward, and from Europe eastward.

The Middle East today is what has been, in principle, for thousands of years, even long before the building of the Great Pyramids of Egypt. It was, and remains one of the great natural crossroads in the development of civilization.

I emphasize, once again, that each time we combine materials and parts into semi-finished or finished products, we are decreasing the percentile of the total cost of that product incurred as a cost of transportation. The Middle East, once again, represents one of the world's most natural, strategic locations for concentration of trade and production. It should not be a passive tube through which products are transported; it should become a crucial stage of strategic importance, in the total process of the world's production of wealth.

What happens to Middle East petroleum, under those conditions? There will be a natural shift in patterns of consumption. Domestic consumption will increase with productive development. Also, there will be increasing emphasis on the use of oil and natural gas as chemical, raw material feedstocks for production, especially Middle East production.

## The Strategic Issues

What, then, can be forecast for the coming history of Middle East oil? We must ask ourselves three key questions. First, what alternatives are available? Second, which alternative is likely to be chosen, and by whom? Third, will the result be a success, or a disaster like the thirty-five-year succession of policy-changes, by which the U.S.A. and Europe have brought the world to the presently looming global catastrophe?

If intelligent forces prevail, the world will contrast the failure of the 1971-2002 floating-exchange-rate monetary-financial system, with the successful system dominant during 1945-1965, the fixed-exchange-rate monetary-financial system. If those forces prevail, the most crucial features of the 1945-1965 system will be copied in launching global emergency reforms. In that case, we shall soon establish a fixed-rate, protectionist form of monetary-financial system, a new gold-reserve system similar to that of the 1945-1965 period.

During a period of approximately the past thirty-five years, the U.S.A., the U.K. and other formerly healthy industrial powers, have been ruined by the utopian delusion of what has been called a "post-industrial," or consumer society. This utopian policy led to the wrecking of the then-existing world monetary-financial system, by U.S. leadership in the 1971 break-up of the successful 1945-1965 monetary-financial system, and the avalanche of destruction of the regulatory systems on which earlier, stable economic development and prosperity had depended.

Now, that post-1971 monetary-financial system is hopelessly bankrupt. The delusion of the so-called "new economy" is collapsing into an inevitable bankruptcy. So, about thirty-five years ago, the U.S.A. and U.K. made a change in world policy which has now shown itself to have been a terrible mistake. It is time to correct that mistake, to return to proven sound principles, and to cooperate in organizing the urgently needed global economic recovery.

Under present conditions of general bankruptcy of the world's financial system, while a large-scale reorganization of bankrupt assets is underway, the crucial margin of economic recovery will be the creation of new, low-cost, long-term credit, which will be initially injected, largely, for essential programs of long-term building of basic economic infrastructure. This investment in infrastructure will then cause expansion of agricultural and industrial development. This investment must be supplied largely by perfectly sovereign nation-states, under terms of simple interest for loans of up to a quarter-century or greater maturity.

Under these conditions, there must be a greatly increased flow of high-technology to regions and localities of the world in which there is critical lack of sufficient technological inputs.

As part of this pattern, we shall require medium- to long-term agreements on relatively fixed fair prices for certain categories of commodities, especially in world trade. This system of fair prices will include energy-stocks, such as petroleum, which has a very sensitive relationship to the world's circulation of credit. A fair price means the price at which the average supplier nation can continue to contribute, profitably, the volume and quality of product which the world economy requires. Stable prices of essential raw materials, such as petroleum, combined with nominal long-term rates of simple interest on primary flows of international credit, are a crucial necessity, if a durable process of reconstruction is to exist.

These measures must be adopted, not as a matter of taste, but as a matter of survival. Sometimes, when the ship is sinking, no sane passenger says, "But, I refuse to be seen on a life-raft."

It will be objected by some, that we are living under conditions of spreading war, not the conditions of peace under which the 1945-65 monetary system was installed. That warning is, of course, true. However, if nations are not willing to establish the institutional preconditions of durable peace, including essential economic preconditions, then the immediate future of civilization everywhere, would be a virtually hopeless one. It were better to mount the life-raft. The first step, is to recognize, at last, the simple fact, that the ship, the war-torn present world financial-monetary system, is sinking, hopelessly. Then, perhaps, the proper moves toward the peace of prosperity, the life-raft, will be made by governments and others.

## Administration Coming Unstuck, Cheney's in Worst Shape of All

by EIR Staff

It's going to be a long, hot Summer for the band of neo-cons that control the Bush Administration—above all, the Vice President, drowning in scandals which, to a great extent, trace their origins to exposés published, and documentation provided, by this news service and other publications connected to Lyndon LaRouche.

The Administration is unravelling at breakneck speed, as LaRouche is emphasizing in discussion with colleagues and political figures in Washington and abroad. Chief—for now—among the troubles besetting the Bushies:

- The scandal of Ahmed Chalabi, who seduced the United States into war on Iraq with now-exposed bogus intelligence, and who apparently betrayed U.S. security secrets.
- The criminal “outing” of undercover CIA operative Valerie Plame by Administration officials in revenge for her husband's political actions.
- The scandal of newly released Enron tapes which document the energy pirate's criminal mentality in looting Californians by manipulating prices—a crime Dick Cheney's “energy task force” was created to cover up.
- The Halliburton corruption scandal, in which e-mail from the Army Corps of Engineers makes clear that Cheney was lying when he said he had nothing to do with the war-profiteering contracts his “former” company got in Iraq.

### The Tenet Resignation

An indicator of how badly the Administration is coming unglued was the June 3 resignation of Director of Central Intelligence George Tenet, who had served at CIA for seven years, under Presidents Clinton and Bush “43.” The best readings, from qualified sources, suggest Tenet wasn't pushed—he jumped. That is, he removed himself from what had become an impossible situation: open war between the intelligence community and the Administration, particularly the

neo-cons around Cheney, Defense Secretary Rumsfeld, and Deputy Secretary of Defense Wolfowitz.

Then, too, reports soon to be issued by the Senate Intelligence Committee on pre-war intelligence, and the 9/11 Commission on pre-9/11 intelligence failures, will hit hard at the CIA.

But above all, sources suggest, Tenet was caught in a position where he could no longer balance his loyalties, no longer defend both the intelligence community and the Administration, without being shredded in the crossfire.

First, the Chalabi scandal. Since the raid May 20 on the Baghdad office and home of Ahmed Chalabi, the head of the Iraqi National Congress (INC), Dick Cheney and his fellow neo-cons, embracers and promoters of Chalabi, have plunged into very serious trouble.

The United States funded Chalabi's INC to the tune of at least \$40 million, in return for which the INC gave the U.S. intelligence about Saddam Hussein's supposed WMD and al-Qaeda links—“intelligence” which turned out to be hogwash. Worse still, about six weeks ago Chalabi (who meant to run Iraq as an American satrap once he had induced the United States to oust Saddam), compromised U.S. national security by giving the Baghdad station chief of Iranian intelligence the highly classified information that the United States had broken the code Iran used in transmissions, and could read all Iran's encrypts. Chalabi said a drunken American had told him.

The FBI is investigating intensively, searching for the official who leaked this sensitive U.S. secret.

Most recently, lie detector tests have reportedly been administered to top civilians at the Pentagon; no names given, but among such civilians, there are Undersecretary Doug Feith and the Office of Special Plans.

Chalabi and his lawyer, former LaRouche prosecutor

John Markham, blame all this on George Tenet and the CIA, which had long ago rejected Chalabi, to the intense anger of the Rumsfeld crowd at the Pentagon.

But basically, Chalabi is Cheney. Cheney's personal involvement was made clear in a stinging column Memorial Day weekend in *Midwestern Knight-Ridder* newspapers. The neo-con/Chalabi "partnership yielded \$40 million for [Chalabi's] group, bogus intelligence for the U.S.," the column explained—and the deal was sealed "in June 2001, at an annual retreat in Beaver Creek, Colo.," when former Defense Policy Board chair Richard Perle introduced Chalabi to the Vice President.

"Iraqi exile leader Ahmad Chalabi and Vice President Dick Cheney went for a two-hour afternoon walk, according to a former senior U.S. government official who was present," and "That day marked a turning point in the budding alliance between Chalabi and prominent U.S. conservatives."

### The Plame Grand Jury

With all this swirling around its collective head, the White House is preparing for the next phase in the grand jury investigation of the Plame leak—the incident last Summer in which high-level officials leaked to syndicated columnist Robert Novak the identity of Valerie Plame, an undercover CIA operative who just happened to be married to harsh Bush critic and former Ambassador Joseph Wilson. The leak (potentially a Federal crime) came as Wilson was writing acid critiques of the Administration's Iraq policy, and calling bogus the claim that Iraq had tried to purchase "yellowcake" uranium from Africa. In fact, Wilson revealed, he was the man the CIA sent to Africa to investigate, at the behest of . . . Dick Cheney.

When Wilson explained all this in print last Summer, retaliation was swift; the leak has been attributed by most observers to the office of Vice President Cheney (there is some possibility the President knew of it), and a Federal grand jury has been investigating to ascertain whether a crime was committed, and by whom.

It has now been revealed that President Bush has consulted an attorney whom he will likely retain if he is called before the grand jury or interviewed (Lyndon LaRouche commented that that's "the smartest thing Bush has done in a long time"). Interestingly, though, the attorney he consulted is Jim Sharp, who represented the notorious Richard Secord in the Iran/Contra affair. Indeed, as Jeffrey Steinberg wrote in covering Chalabi in the June 4 issue of *EIR*, Iran/Contra never ended.

### Cheney and the Enron Energy Pirates

Meanwhile, there are newly released Enron tapes from the year 2000—the year the people of California were bled dry through wildly surging energy prices by Enron and other privateers. That market-rigging and manipulated crisis was the trigger for the formation, on Jan. 28, 2001, of Cheney's supersecretive energy task force, whose purpose was to cover

up the looting by Enron and others.

In one tape transcript, a trader asks about "all the money you guys stole from those poor grandmothers of California."

"Yeah, Grandma Millie, man," a second trader says.

"But she's the one who couldn't figure out how to f\*\*\*ing vote on the butterfly ballot."

"Yeah, now she wants her f\*\*\*ing money back for all the power you've charged right up—jammed right up her a\*\* for f\*\*\*ing \$250 a megawatt hour."

Another tape reveals Tim Belden, an Enron manager in Portland, gloating that the firm "just f\*\*\*s California . . . to the tune of a million bucks or two a day."

The tapes also include discussions of shutting down a power plant to reduce supply and inflate prices.

During California's rolling blackouts, when families were trapped in elevators, one Enron trader says: "Just cut em off. They're so f\*\*\*ed. They should just bring back f\*\*\*ing horses and carriages, f\*\*\*ing lamps, f\*\*\*ing kerosene lamps."

Before the 2000 election, Enron employees ponder a Bush win, according to *cbsnews.com*. "It'd be great. I'd love to see Ken Lay Secretary of Energy," says one.

"When this election comes Bush will f\*\*\*ing whack this s\*\*t, man. He won't play this price-cap bull\*\*t."

And led by Cheney's Energy Task Force, he didn't.

### Halliburton: The War Profiteers

Finally, as revealed in the June 7 issue of *Time* magazine, an e-mail dated March 5, 2003 (days before the Iraq war began) from the Army Corps of Engineers made clear Cheney's office *was* consulted about the \$7 billion mega-oil deal in Iraq for Halliburton, Cheney's former company. *Time* reports: "The e-mail says Feith approved arrangements for the contract 'contingent on informing WH [White House] tomorrow. We anticipate no issues since action has been coordinated w/ VP's [Vice President's] office.' Three days later, the Army Corps of Engineers gave Halliburton the contract, without seeking other bids. *Time* located the e-mail among documents provided by Judicial Watch, a conservative watchdog group."

That contract was for "Restore Iraq's Oil," the biggest prize in the looting of Iraq. The e-mail adds that Undersecretary of Defense for Policy Doug Feith got approval for the RIO from Deputy Secretary Wolfowitz.

Oops! Last September, interviewed by Tim Russert of "Meet the Press," Cheney said something a bit different. In fact, he lied. When asked if he were "involved in any way in the awarding of those contracts?" Cheney said, "Of course not, Tim. . . . And as Vice President, I have absolutely no influence of, involvement of, knowledge of in any way, shape, or form of contracts let by the Corps of Engineers or anybody else in the Federal government.' "

Eleven Congressmen seek appointment of a special counsel to probe whether Cheney committed a crime in involvement in the "sole-source, no-bid contract" Halliburton got.

# War Crime Prosecutions: What White House Fears

by Edward Spannaus

When White House Counsel Alberto Gonzales warned President Bush in a Jan. 25, 2002 memo, that the President and other members of his Administration might be liable to prosecution for war crimes as a consequence of U.S. treatment of detainees in Afghanistan, he had good reason to do so. The United States is a signator to a number of international conventions and treaties which prohibit the sort of treatment which has been so graphically exposed at the Abu Ghraib prison in Iraq, and which is known to have been practiced more widely—in Afghanistan, likely at Guantanamo, and most certainly at undisclosed offshore detention and interrogation facilities operated under secret programs established by Defense Secretary Donald Rumsfeld.

Gonzales, who was brought to Washington from Texas by Bush, urged that the Third Geneva Convention, concerning the treatment of prisoners of war, should not apply to the war in Afghanistan. Gonzales argued that a directive declaring this, from the President, among other things, “Substantially reduces the threat of domestic criminal prosecution under the War Crimes Act (18 U.S.C. 2441).”

“Punishments for violations of Section 2441 include the death penalty,” Gonzales cautioned, and he urged that the best—but certainly not guaranteed—strategy for avoiding this, would be to declare that the Third Geneva Convention does not apply to the Taliban and Al-Qaeda, and then hope that this would mean that the War Crimes Act “would not apply to actions taken [by the U.S.] with respect to the Taliban.”

While Gonzales was clearly not worried about the current Justice Department under Attorney General John Ashcroft—after all, he was taking most of his arguments from them—he was alarmed about what might happen under a different administration, warning that “it is difficult to predict the motives of prosecutors and independent counsels who may in the future decide to pursue unwarranted charges based on Section 2441.” Therefore, he surmised, a determination by Bush that the Geneva Convention does not apply, “would provide a solid defense to any future prosecution.”

As one expert in military law told *EIR*, it is clear that this memorandum was never intended to see the light of day. But, in the present climate of internecine, cover-your-back warfare in the Bush Administration, this memo, and many more, have been leaked right and left.

## Cheney’s Imperial Policy

Disregard for international treaties and law goes hand-in-hand with the “new Roman Empire” conception of the U.S. role in the world after the end of the Cold War, expressed most clearly in the draft Defense Policy Guidance prepared for then-Defense Secretary Dick Cheney by Paul Wolfowitz, Lewis Libby, and others in 1991. That soon-to-be rejected draft called for the United States to emerge as a global hegemon, by preventing the rise of any rival superpower or rival bloc of nations. The mid-1990s Project for New American Century likewise clearly outlined the policy direction that the Bush-Cheney Administration would take, facilitated in this respect by the shock of 9/11.

The legal/ideological underpinnings for this doctrine were churned out of the misnamed Federalist Society and right-wing legal think-tanks. Disdain for the United Nations and international treaties has long been a hallmark of this crowd. The principal legal architect, in the Bush Administration, of the notion of scuttling the Geneva accords and international law, appears to have been John Yoo, Assistant Attorney General in charge of the Justice Department’s Office of Legal Counsel, and a long-time Federalist Society activist. Solicitor General Ted Olson, who has defended the Administration’s “enemy combatant” detention policies in the courts, has been a top Federalist Society official, as are many others in Ashcroft’s Justice Department.

The first to raise the alarm about the War Crimes Act was Yoo. In the weeks following 9/11, Yoo was apparently one busy fellow: In addition to playing a principal role in drafting the USA/Patriot Act, he was also writing memos on “The President’s Constitutional Authority to Conduct Military Operations Against Terrorists and Nations Supporting Them.” Yoo was also one of the architects of the plan to use military tribunals to try suspected terrorists; the original blueprint coming out of the Justice and Defense Departments—and the Office of the Vice President—was strongly opposed by military lawyers. Even before 9/11, Yoo was marshalling arguments as to how the Bush Administration could withdraw from international agreements such as the ABM treaty.

Yoo pulled together all the arguments for ignoring international treaties and laws with respect to the war in Afghanistan, in a 42-page memorandum dated Jan. 9, 2002, addressed to Defense Department General Counsel William Haynes, and entitled “Application of Treaties and Laws to al-Qaeda and Taliban Detainees.” In actuality, Yoo’s memo constitutes a defense lawyer’s brief against future war-crimes charges; indeed, its discussion of the War Crimes Act begins on the very first page.

Yoo’s memo, as did Gonzales’s memo a few weeks later, centered much of its discussion on the Geneva Conventions, particularly the Third Convention concerning the treatment of prisoners of war, and the Fourth, concerning the obligations of an occupying power, and what is known as “Common Article 3.”

“Common Article 3” is a provision common to all four Geneva Conventions; it prohibits not only torture and other acts of violence, but also, “Outrages upon personal dignity; in particular, humiliating and degrading treatment.” (With what has now been exposed about interrogation practices in Afghanistan and Iraq, it’s clear why Administration officials would be so concerned to find a way to circumvent this provision.) This applies to *all* detainees, whether or not they are technically classified as prisoners of war.

## Convention Against Torture

Yoo’s memorandum consists of tortured legal arguments attempting to justify throwing out U.S. adherence to the Geneva Conventions and Common Article 3. Specifically, the Yoo memorandum attempts to show why neither Taliban nor al-Qaeda should be covered by Geneva. One argument was that Afghanistan under the Taliban was a “failed state,” and therefore its previous status as a signator to the Geneva Conventions no longer applied. Despite this, Yoo still argued that the United States could prosecute Taliban militiamen, for example, for violations of the laws of war, even as the United States could claim *not* to be bound by these laws.

Yoo also reportedly authored another memorandum—not yet made public—putting an extremely narrow interpretation on the international Convention Against Torture (CAT), which the United States ratified in 1994. As part of the required implementation of the CAT treaty, Congress passed the Federal anti-torture statute, 18 U.S.C. 2340 and 2304A, which makes a violation of CAT’s provisions a Federal crime. Torture is defined as the infliction of “severe physical or mental pain or suffering.” A conspiracy provision in this statute ensures that it could be used to prosecute high officials who were responsible for establishing a policy of torture or ordering the carrying out of such a policy.

Scott Horton, the head of the international law section of the Association of the Bar of the City of New York, told PBS on May 21, a few days after the Administration’s legal memos had been leaked and published, that the general reaction among lawyers and legal scholars to the memos “is largely one of shock.”

## Disaster Waiting To Happen

“I think no one really understood the breadth and scope of the rejection of the Geneva Conventions system that was being contemplated, particularly in the Department of Justice memorandum,” Horton said. “In fact, when you read them, the first thing that comes to mind is this isn’t a lofty statement of policy on the behalf of the United States. You get the impression very quickly that [this] is some very clever criminal defense lawyers trying to figure out how to weave and bob around the law and avoid its application.”

In a discussion with *EIR*, Horton readily dismissed Yoo’s arguments. He stated unequivocally that the Geneva Conventions cover *everything*, that there is no category of persons

who are excluded from its application.

Horton had received two sets of visits from military JAG (Judge Advocate General) corps officers, in May and October 2003, who were alarmed at how the civilians in the Pentagon were treating interrogation questions. They told Horton that the way in which interrogations were being handled “is a disaster waiting to happen.”

Back to January 2002. According to knowledgeable sources, the Yoo memo went not only to DOD General Counsel Haynes, but also to White House Counsel Gonzales and Dick Cheney’s General Counsel David Addington, all of whom agreed with it and approved it. What is known, is that Gonzales then presented Yoo’s arguments to President Bush (and perhaps others) on Jan. 18, and Bush made a formal determination that the Third Geneva Convention did not apply to the conflict with Al-Qaeda and Taliban. According to Gonzales’ Jan. 25 memorandum, Secretary of State Colin Powell strongly disagreed, and asked Bush to reconsider that decision. Powell urged that the President determine that the Third Geneva Convention did apply, but that individual Al-Qaeda fighters could be determined not to qualify for prisoner-of-war status—only after an individual hearing—which is a permissible procedure under the Convention.

Gonzales insisted that Bush reject Powell’s arguments; central to Gonzales’s case, as we noted above, was that rejection of the Geneva Convention might provide a legal defense in a future war-crimes prosecution of Bush Administration officials.

Two days after the Gonzales memorandum, and the day after Powell sent a memo to Bush opposing the course recommended by Gonzales, Cheney weighed in, appearing on two Sunday talk shows to argue against the application of the Geneva accords. He contended that the prisoners being detained at Guantanamo “are bad people,” and that “we need to be able to interrogate them and extract from them whatever information they have.”

In February 2002, President Bush made a slight compromise, proclaiming that the United States would adhere to the Geneva Conventions in the war in Afghanistan, but that Taliban and Al-Qaeda captives would not be given prisoner-of-war status. Apparently, some in the Administration believed this would still provide sufficient protection from war crimes prosecutions.

However, it is now known that the atrocious practices that have been revealed at Abu Ghraib, were first used by the same military intelligence interrogators in Afghanistan, and then brought into Iraq. Likewise, it was the commander of Guantanamo, Maj. Gen. Geoffrey Miller, who went to Abu Ghraib in August 2003, and directed that Abu Ghraib be “Gitmoized.” Military Police and others handling prisoners, were never given any instructions about the Geneva Convention standards.

If Gonzales and other Administration officials were worried before, they should be shaking in their boots now.

# Beware of 'Credible Intelligence'

By Ray McGovern

*McGovern was a CIA analyst for 27 years under Administrations from John F. Kennedy to George H. W. Bush. He is a member of the Steering Group of Veteran Intelligence Professionals for Sanity. This article was initially posted on TomPaine.com.*

Last Wednesday, May 27, it was Attorney General John Ashcroft—joined Friday by me-too Homeland Security Secretary Tom Ridge—claiming that “credible intelligence from multiple sources indicates that al-Qaeda plans to attempt an attack on the United States” between now and the November election.

If “credible intelligence” sounds to you like protesting too much, there is ample reason to be skeptical. Overshadowing Ashcroft’s dramatic warning that al-Qaeda planned to “hit the United States hard” was the headline-grabbing, specific claim that “an al-Qaeda spokesman announced that 90% of the arrangements for an attack on the United States were complete.”

Had Ashcroft thought to check this out with the CIA—or even NBC—he would have learned that the “al-Qaeda spokesman” was actually “Abu Hafs al-Masri Brigades”—a fact later conceded with some embarrassment by the FBI. According to a senior U.S. intelligence official, this “group” may consist of no more than one person with a fax machine. The “Brigades” have nonetheless claimed responsibility for the power blackout in the Northeast last year, a power outage in London, and the March 11 train bombings in Madrid. NBC news analyst Roger Cressey, a former deputy to counterterrorism chief Richard Clarke, notes, “The only thing they haven’t claimed credit for recently is the cicada invasion of Washington.”

## What’s Going On?

“Intelligence” is being conjured up once again to serve the political purposes of the Bush Administration. Merely recall the litany of spurious claims against Iraq, all said to have been based on “solid sources,” that Secretary of State Colin Powell dwelled on in his UN speech of Feb. 5, 2003.

But what purposes are served in the current political context? Fanning further fear of terror is the only remaining ploy to boost the President’s sinking poll numbers. The struggle against terrorism is the issue on which George W. Bush still gets relatively good marks. Small wonder that he used “terror/



*In a Jan 25, 2002 memorandum, Alberto Gonzales, President Bush’ chief legal counsel, wrote prophetically: “A determination that the Geneva Convention does not apply to al-Qaeda and the Taliban could undermine U.S. military culture which emphasizes maintaining the highest standards of conduct in combat, and could introduce an element of uncertainty in the status of adversaries.” Here Gonzales stands behind as Bush squints at his teleprompter.*

terrorist/terrorism” no less than 19 times in his speech at the Army War College on May 24. But is that all that is afoot here?

I believe there may be considerably more. With only five months before the election, the President’s men are getting desperate. Iraq is going from bad to worse and the prospect of substantial improvement before November is virtually nil. Worse still, revelations of the past few weeks strongly suggest that the President, Ashcroft, Defense Secretary Donald Rumsfeld, et al. have deeply personal incentives to make four more years for Bush a sure thing.

## The Nettle of the Geneva Conventions

Put yourself in their position. Addressing whether or not Washington should honor the Geneva Conventions on Prisoners of War, the President’s chief legal counsel, Alberto Gonzales, warned him in a memorandum of January 25, 2002 that U.S. law—the War Crimes Act of 1996 (18 U.S.C. 2441)—prohibits “war crimes” defined to include any grave breach of the Geneva Conventions on Prisoners of War. Gonzales made it clear that this prohibition applies to U.S. officials and noted that punishments for violations of Section 2441 include

the death penalty.

Gonzales advised the President that, in the opinion of Ashcroft's Justice Department, the Geneva Conventions do not apply to al-Qaeda and that the President had the authority to determine that they also do not apply to the Taliban. (This would not be the first time that forces branded "terrorists" were declared exempt from the Geneva Conventions. In World War II, when armed, uniformed Allied troops landed behind German lines, Hitler ordered them to be executed for "terrorist activities," as Professor Frederick Sweet noted in a recent article in *Intervention* magazine.)

Gonzales described Ashcroft's opinion as "definitive," but added that the State Department had expressed "a different view." Buried in the legalese is thinly disguised nervousness that others, too, might have a different view. Under the "positives," Gonzales notes:

It is difficult to predict the motives of prosecutors and independent counsels who may in the future decide to pursue unwarranted charges based on Section 2441. Your determination would create a reasonable basis in law that Section 2441 does not apply, which would provide a solid defense to any future prosecution.

The President's lawyer concluded that a determination by President Bush that the Geneva Conventions do not apply to the Taliban "substantially reduces the threat of domestic criminal prosecution under the War Crimes Act (18 U.S.C. 2441)."

"A reasonable basis in law?" "Substantially reduces" the threat of prosecution? If I were President Bush I would not find these phrases altogether reassuring. And neither, one would assume, does Attorney General Ashcroft.

And if this were not worrisome enough, Gonzales adds an eerily prophetic statement in listing the "negatives:"

A determination that the Geneva Convention does not apply to al-Qaeda and the Taliban could undermine U.S. military culture which emphasizes maintaining the highest standards of conduct in combat, and could introduce an element of uncertainty in the status of adversaries.

Then there was Abu Ghraib.

There is nothing in the Geneva Conventions that gives anyone the right to make a unilateral decision to exempt opposing forces. And the Conventions hold the "Detaining Power"—not individual soldiers—responsible for maltreatment of detainees.

From the catbird seat of the "sole remaining superpower," however, the Bush Administration has shown considerable disdain for international law. On occasion it has stretched it well beyond the breaking point—as in claiming that the invasion of Iraq was authorized by UN Security Council Res-

olution 1441. Section 2441 of the War Crimes Act of 1996 is different. This is U.S. law, in which the strictures of the Geneva Conventions are embedded.

## Nightmares

For the Bush Administration, the nightmare is losing the November election—a prospect believed to be unlikely until just recently. For many of us citizens, the nightmare is the President and his associates resorting to extra-legal measures to ensure that there is no "regime change" in Washington for four more years. Logic and human nature would suggest that possible liability to prosecution under the War Crimes Act are among the more weighty factors they take into account.

Bush Administration leaders may even look on the prospect of a terrorist event in the United States in the coming months as a possible opportunity as well as a risk. I do not suggest they would be perverse enough to allow one to happen, or—still less—to orchestrate one. But there is ample reason to believe that they would take full political advantage of a terrorist attack—**or even just the threat of one**. Ashcroft's remarks last week might be regarded as the opening salvo in a campaign to condition the country for this.

No less a figure than Gen. Tommy Franks, who led the war on Iraq, went so far as to predict publicly last November that if terrorists attacked the United States with "weapons of mass destruction," the Constitution would probably be discarded in favor of a military form of government.

But, you say, that would mean a constitutional crisis without parallel in the history of our country. Perhaps. But was there not a good warm-up in the Fall of 2002? Did we not then experience a constitutional crisis when Congress was duped into ceding to the President its constitutional power to declare war? And it was all accomplished by spreading the myth that Saddam Hussein was close to exploding a "mushroom cloud" over us—a myth based on a known forgery alleging that Iraq was acquiring uranium from Africa.

In a recent op-ed in a newspaper in Maine, Charles Cutter poses the key question for the next five months. Cutter asks:

How far would they go? With blood on their hands and God on their side, what actions would Bush & Co. consider too extreme—when the goal is to extend their control over the financial and military power of the American Presidency?

An elevated threat level justifying martial law and postponement of the election? No doubt such suggestions will seem too alarmist to those trusting that there is a moral line, somewhere, that the President and his senior advisers would not cross. I regret very much to say that their behavior over the past three years leaves me doubtful that there is such a line. If my doubts are justified, the sooner we all come to grips with this parlous situation the better.

Meanwhile, don't be taken in by "credible intelligence."

# Justice Dept. Convicts Padilla in the Press

By Edward Spannaus

Since he was whisked out of the Federal court system into a military prison two years ago, José Padilla—a U.S. citizen arrested on U.S. soil—has languished without any prospect of due process, much less a trial. Until recently, he was held incommunicado, with no access to his lawyer, and he still has no access to the courts.

On June 1, the Justice Department gave Padilla a trial, of sorts. Deputy Attorney General James Comey indicted, tried, and convicted Padilla—not in a court of law, but in an *ex parte* press conference for the benefit of the news media.

Comey purported to present “the full story of José Padilla,” how he was allegedly recruited by al-Qaeda, and trained to make a radiological “dirty bomb,” and how he supposedly came to the United States with the intention of using the natural gas system of selected apartment buildings to cause massive explosions.

Comey presented a seven-page memorandum, purporting to contain declassified information obtained from interrogations of al-Qaeda leaders and of Padilla himself. (Unmentioned by Comey, were recent news reports indicating that some of the information on Padilla was obtained through “stress and duress” torture of top al-Qaeda detainees, who are being held at undisclosed locations.)

## No Constitutional Rights

Comey openly admitted, that all this alleged information was obtained by denying any Constitutional rights to Padilla. “Had we tried to make a case against José Padilla through our criminal justice system,” which Comey claimed could not have been done without jeopardizing intelligence sources, “he would have very likely followed his lawyer’s advice and said nothing, which would have been his Constitutional right.”

This is the closest confirmation to what *EIR* and others have said all along, that the government moved Padilla out of the Federal civilian courts, and into military detention, because they faced a preliminary hearing in Federal court in Manhattan, in which they would have had to present their evidence against Padilla, which the government was either unable, or unwilling, to do.

Of course this didn’t stop Ashcroft from jumping in front of TV cameras at the time to announce that “We have captured a known terrorist who was exploring a plan to build and explode a radiological dispersion device, or ‘dirty bomb,’ in the United States.”

Comey acknowledged that it will now be very difficult to ever put Padilla on trial, because prosecutors could not use the statements he has made (or allegedly made) while in military custody, and Comey also admitted that Padilla might deny having even made the statements attributed to him.

Covered up in Comey’s press conference—and in the ensuing press coverage—is a revealing footnote in the DOJ memorandum, which says that Padilla maintained that he was not part of al-Qaeda, and that he never made a pledge of loyalty to Osama bin Laden. It further states, that Padilla says that he proposed the “dirty bomb” plot only as a way to get out of Pakistan, in order to avoid combat in Afghanistan, and that “he returned to the U.S. with no intention of carrying out the apartment building operation.”

## Back-Door Brief to the Supreme Court

Many observers noted that the Justice Department’s release of information concerning José Padilla came as the U.S. Supreme Court is close to deciding on the government’s appeal of a ruling by the U.S. 2nd Circuit Court of Appeals, which had ordered that Padilla be released. Specifically, the Appeals Court ruled that the President has no power to detain an American citizen without explicit Congressional authorization—citing the Non-Detention Act, which was passed by Congress in 1971 as part of the repeal of the notorious Emergency Detention Act of 1950. As the *New York Times* noted, many legal analysts believe the Justice Department is in danger of losing the Padilla case.

The timing of the Justice Department’s disclosures was thus considered highly suspect. “I see no reason why they would announce that today,” said Scott Silliman, a law professor at Duke University’s Center on Law and National Security. “I think it is probably yet another attempt to put the most favorable face on the government’s argument that is being considered by the Supreme Court.”

## ‘A Black Hole’

Padilla’s lawyers angrily described the Justice Department press conference as “an opening statement without a trial.” One of his lawyers, Andrew Patel, said: “We are in the same position we’ve been in for two years, where the government says bad things about Mr. Padilla and there’s no forum for him to defend himself.”

Another of his lawyers, Donna Newman, pointed out that they are under a gag order from the courts and the Pentagon, barring them from speaking openly and fully about the case. “They control everything . . . They zip our lips, they unzip [Padilla’s] lips for their own purposes, and they do whatever they want, whenever they want. This is not what the U.S. Constitution had in mind.”

Newman and Patel challenged the government to put Padilla on trial if they think their evidence is so strong. But instead, Newman said, “If we believe someone is bad, there’s a new form of justice: we put them in a black hole.”

## Kerry Is a Loser Unless Dems Open Convention

by Nancy Spannaus

Speaking to the *Newark Star Ledger* on June 3, Democratic Presidential pre-candidate Lyndon LaRouche pressed the theme which he has been striking in radio ads and appearances over the last days: either the Democratic Party opens up the Boston Convention for discussion of the real policy issues facing the nation, or Senator John Kerry will lead the party headlong into defeat.

LaRouche said: “My point is, we have to have an open convention. I think that Clinton might agree with me. Have an open convention, get the real issues out, get some excitement in the population. This Democratic campaign is getting more boring by the day. Let’s make the campaign uninteresting! Let’s have a real fight. Let’s have a convention that’s a real fight! Let’s have some excitement.”

If Kerry continues to run his campaign in the “me-too” manner in which he’s now proceeding, LaRouche said, he will almost surely be defeated by President Bush’s machine. By listening to those advisors who are telling him to “lay low” and let President Bush destroy himself, Kerry is demoralizing the electorate, perhaps beyond repair. In addition, the presumptive Democratic Party nominee is taking positions that will discredit him, and most likely lead to the majority of the lower 80% of income brackets staying home on Election Day.

### Death by the DNC

Ever since the Democratic National Committee mafia took over Kerry’s campaign, around the time of Super Tuesday, the primary process has been strangling the life out of the party. Consumed with the determination to keep Lyndon LaRouche and his FDR-style solutions out of the Presidential election campaign, the DNC has discouraged participation in political debate, and, by and large, done its best to make the primaries non-events.

As has been obvious to the local political machines in many of the primary states—especially Pennsylvania, South Dakota, Alabama, Arkansas, Oregon, and California—the only concerted campaigning “in the streets” was carried out by the LaRouche Youth Movement. In all of these states, and more, young people carried out mass leafletings, held motorcades, and in many instances, went door to door in order to engage the citizenry in discussion of the major political issues of the day, especially the depression and the war. Yet,

as a result of the Democratic Party machine’s lock on the election process, if not out-and-out vote fraud, LaRouche’s vote was kept way down.

But it would be fatal to judge the election by the mechanics, as LaRouche said in the *Newark Star Ledger* interview. The only hope for the party, and the nation, is for the real political issues to break through. LaRouche’s campaign has, of course, made major inroads politically toward getting rid of Cheney, and creating the basis for a real solution in Southwest Asia. But, to realize these gains in the election, means that the Democratic Convention has to be thrown open for real debate.

“Clinton and I and a bunch of other people are going to work together,” LaRouche said, “and whoever we select as the President, we’ll convince the delegates to go for it, and we’ll have a winner in November. But it won’t be Kerry as you look at him now. It might be Kerry, but it won’t be the Kerry you’re seeing now.”

LaRouche has been very critical of Kerry in recent interviews, and is looking toward the Clinton wing of the party to help rescue the flagging campaign. As he put it June 3, “He’s doing everything wrong. He is acting like a me-too George Bush. He’s not dealing with any of the real issues.

“First of all, the United States and the world is in a depression. We don’t have the crash yet. But as I’ve said repeatedly, we have the rumble and tumble. We’re on the edge of a crash, which is as bad or worse than 1929-33. And he’s not addressing that problem. He’s talking about this and that, but it’s nonsense.

“Then, on the question of Iraq, the Iraq war policy, he’s talking nonsense. He and other people acted in a cowardly, foolish fashion, in the Senate in particular, in granting war powers acts to a President who doesn’t know what the time is, when they shouldn’t have done it! And they swallowed fake information.

“The first thing Kerry should do, is tell the truth.”

Meanwhile, LaRouche is involving the citizenry in dialogue everywhere he can, and deploying his youth movement to educate and agitate. A good example is a May 22 meeting he held with supporters in New Jersey, where he will be in the primary election June 8, the opening presentation of which we present here below.

By mid-June, LaRouche intends to launch a major new offensive, around the release of a *Children of Satan III* pamphlet that will take the gloves off on what the candidate calls the “Sexual Congress of Cultural Fascism.” The pamphlet on this issue, which is currently in preparation, is planned to be released in a million copies in relatively short order, thoroughly saturating the political environment going into the Democratic National Convention. It is in the run-up to that convention that LaRouche’s enemies, the friends and operatives of Cheney and Blair, are expected to launch a new campaign of slander against LaRouche, in hopes of preventing the opening up of the Convention. If the Democratic Party loyalists are smart, they won’t let that effort succeed.

# ‘With Our Constitution, We As A Nation Have a Special Mission’

*Presidential candidate Lyndon LaRouche spoke to supporters in Teaneck, New Jersey on May 22, 2004. After his opening remarks, LaRouche and his constituents continued their dialogue for another hour and a half.*

So, we’ll warm things up a bit.

The issues that face the United States today, are three: First of all, we have a terrible financial-monetary crisis. The monetary-financial system *is* in the process of collapsing. It’s only a matter of how soon. It could collapse tomorrow; it could collapse next month, could collapse sometime in the Summertime. But, it is inevitably on the road to a collapse far worse than 1929-1933.

The world is now gripped by a crisis: A monetary-financial crisis, far worse than 1929-33. And we shall only get out of it, if we have a Presidency, which responds to this crisis, according to the same principles that Franklin D. Roosevelt used in March of 1933. Otherwise, there is no hope for the United States, or for the world in general.

We have a second crisis, which is reflected by the war in Iraq, the ongoing war in Iraq: It never ended, once it was started. This war, with its implications, *prevents* the possibility of collaboration among nations, of a type that is needed to deal with the international financial crisis. In other words, what we will have to do, since all the major banks are bankrupt; the Federal Reserve System is bankrupt; the economy is collapsing: What we shall have to do is, first of all, put the banking system into receivership, bankruptcy receivership by government. The first purpose of doing that, is to prevent the banking system from *disintegrating*, in order to maintain the flow of credit and so forth, to keep the economy going.

Secondly, we’re going to have to reorganize the financial system.

Now, we’re also going to have to have cooperation with other countries, to put the IMF system into bankruptcy receivership, for reorganization with the intent to re-establish the kind of monetary system, fixed-exchange-rate system, protectionist system, that we had back in the 1940s, the late 1940s and 1950s. . . .

So, the problem is that we in the United States, were—until the middle of the 1960s—the world’s leading producer society, as a result of the Roosevelt changes. With the assassination of Kennedy, following the Missile Crisis, and the beginning of the official war in Indo-China, we underwent a

cultural transformation, from a producer society to a post-industrial predatory society, which is living increasingly by looting other countries. The typification of how this works, is Wal-Mart.

If you want to know what a disease is, you look at Wal-Mart. Wal-Mart moves into an area, with one of its, now, “super-malls.” It goes to the people who are supplying stores in that area, which were producing and selling to stores, for retail sales. Now, Wal-Mart says, “You will produce for us, at prices which compete with Chinese labor. If you don’t, we shut you off.” So, you see, when Wal-Mart moves in, with a mall store, in the counties around that mall store, businesses begin folding up.

So, what we’ve done is, by the change in the monetary system which occurred in 1971-72, we bankrupted entire countries. We reduced them to the condition of virtual slave-labor. We then turned around, especially beginning 1982, and we began to *force them* to produce for us. For example, the case of Mexico: Mexico was put through a crisis in 1982, from here. It was bankrupted. It has been ruined since then. So Mexico’s *internal* development has been destroyed. What do they do? The United States says—coming to NAFTA, which is the epitome of this process; NAFTA is sort of a glorified Wal-Mart operation—“You will now produce for us, your labor will produce, as virtual slave labor, for us! We will lay off our labor, shut down our industries, and we will now buy from markets such as South and Central America, China, and so forth, where virtual slave labor conditions exist.

“Therefore, we will shut down our farms. We will shut down our factories. We will shut down our communities. By turning Hispanic people and others virtually into slave labor for production of the United States.”

## How Great Civilizations Fall

And the quality, as you know, is generally poor—especially that from South and Central America, because they’re employed as virtual slave labor—with no skill. For example, look at the housing projects you see in various parts of the United States: large-scale housing projects, in areas where people are moving *in*, when they’re moving *out* of areas like the industrial belts and so forth. Take the case of New Jersey: What happened to the industrial development, which once existed in New Jersey? It’s shut down, largely. So, now, you have a different kind—you have a vast housing speculation,



*LaRouche: “We shall only get out of [this crisis] if we have a Presidency which responds to this crisis, according to the same principles that Franklin D. Roosevelt used in March of 1933. Otherwise, there is no hope for the United States, or for the world in general. Roosevelt just before his March 1933 radio address announcing a reorganization of the nation’s banks and suspension of gold payments.*

based on the Greater New York market. The mortgages are rising. What do they employ? They employ cheap labor, unskilled labor, to produce shacks—which we used to call tarpaper shacks, years ago. Now, they’re made with chip board—that’s the good quality, actually. And, essentially tarpaper shacks, with a few gold faucets in them (maybe); plastic exterior; and a \$400,000 to \$600,000 mortgage.

Now, remember that, in former times, they used to say, that you shouldn’t spend more than 20 to 25% of your family income, to maintain a place of residence. What does it cost today? [Someone from the audience: “60%.”] Exactly. So, what happened to family relations? The character of families? Raising children? How often do people meet to have dinner together, in families? We’ve destroyed the culture. We’ve destroyed the people, and we’ve transformed our economy in the way we’ve done. We don’t educate people any more, because we say we educate for jobs. And what are the jobs? So we are dumbing the population down, impoverishing it, we’re taking away its health care—which it used to have. Took it away!

So, we are in the process of destroying ourselves, and we’re destroying ourselves, as an imperial power, which loots the rest of the world, to maintain the wealth of our wealthy, and to impoverish our people, in general: We have become a society, like ancient imperial Rome, which stopped producing; depended upon what it stole from the countries it conquered, and from slavery; reduced most of its population to quasi-unemployed or unemployed; provided a subsistence

hand-out, as a political manipulation of the population; and *entertained* the population, with things like the Coliseum, where you could watch lions eating Christians.

So, we have become, like imperial Rome, a society of “bread and circuses.” Degenerate, ever more degenerate qualities of mass entertainment, are the dominant feature of our culture. So, we’ve been transformed into a rotten society. And some people like it that way, or pretend they do.

We have become, also, a no-future society. This nation, under present trends and policies, has no future.

The young people, those who are young adults, are sensing this more and more. They look at their parents’ generation, who are in the 40s and 50s, and they say, “You have given us a society with no future. We are condemned, if we live that long, to spend the next 50 to 60 years of our life, in a no-future society. And you—Mommy and Daddy—are glued to that television set, or some other kind of degenerate mass entertainment—and ignoring reality, and blocking out reality, by a fantasy life, in an entertainment society.”

So, we’re a society that’s going nowhere. And, we’re in a world, which, overall, if this continues, is also going nowhere. And that time, is *now*.

So therefore, we’ve come to the point, which is not unusual in history, that once-powerful, great civilizations are in the process of disintegrating. And the disintegration is largely *moral*, first of all. The economic effects come as a moral disintegration.

How did this happen? You had, back in the 1960s, you

had a change after Eisenhower left office: First, you had a fascist, Allen Dulles, who organized the Bay of Pigs operation in Cuba. Shock Number One—fascism was back in the world. Number Two—we had the Missile Crisis, the so-called Cuban Missile Crisis, and people were huddling in their cellars, or barrooms, waiting for the end, when the missiles would hit, the thermonuclear missiles. Then, we had the assassination of a President, by the right wing. And that was covered up, too. Then, after he was dead (and he had opposed going into the Indo-China War), they used the fact that they had killed him, to push through the Indo-China War. Then, we had a process of cultural degeneration, where you had the young people going into the universities, in the middle of the '60s—where they were being trained, presumably, to become, within a quarter-century, the leaders of society, whether in government professions and so forth: They took off their clothes, soaked themselves with LSD, and rolled in the dirt—and they're now running society today.

This is what happened to us! We went through a *cultural change*, from the world's leading producer society, into a decadent society, which is a caricature of ancient Rome's degeneracy. Which means, that the people who have acquired these habits, who are now running the country, who are in their 50s or very early 60s; that generation has no conception, no ingrained conception of how to run anything. But, they're dominating it. They want to keep their "pleasure society," like many decadent empires, which want to keep what they consider their personal way of life, their social way of life, the upper 20% of the income brackets. They cared nothing for the rest of the people.

### **Worldwide Revolt of the Poor**

Take a comparable case in India: India has a billion people now; it's second after China, in size of national population. There was recently an election, which came as a shock to many people around the world. Vajpayee, who had been the Prime Minister of India, had been a very successful politician. But: He had not paid attention to business. And, while the upper 300 million people of India were living at standards of living, generally speaking, comparable to those of people in the United States and Europe—and on the rise, in terms of the IT business—*600 million Indians were living in collapsing poverty*. This is a condition, generally, throughout Asia. But, in this case, what happened is, 40-odd percent of the urban population went to the polls; 70% approximately of the rural population also went to the polls, and they voted the existing government out of office.

So, what you see is, the process now is a process worldwide—India only typifies it—a revolt by the poor against the oppression, the oppression of this system, that it provides no future for the people. That's what we have here. The question is: Given the fact that the people who are saturated with the degeneration of this culture, who run the society, are doing this: How can you get our government back, with the dedica-

tion to the kinds of outlook that we had under Franklin Roosevelt, or the period following that? That's what I represent.

That's why I really have a problem: Because this system is coming down, and what's going to happen? What was the reaction of the banking system of New York, to the collapse of Argentina? They said, the Argentine debt must be paid, to the creditors in the United States, even if it means *killing* Argentinians. What will the same kind of people do to the people of the United States, under conditions of a financial collapse here? They will do no differently to the people of the United States, than they've done to the people of Argentina. The conflict is, that under a condition of crisis, such as the type we face now, the only way we can save ourselves, is to have a President—that is, the Executive branch of our system, which is unique in the world—who does what Roosevelt did, and said: applies the Constitution, that the sovereignty of the United States lies in its *people*, not in the government. The government is the *instrument* of the people, but the sovereignty is the people. And the government must be the *agent*, the efficient agent, of the sovereignty of the people.

What must he do? He must *defend* the people: He must defend the living, the conditions of life of the living. He must defend posterity, and the security of posterity.

If a President does that, as Franklin Roosevelt did that, he gets into a lot of trouble with the bankers. We had a case like that in Europe. The crisis hit in Europe. What you had from 1922-1945, *the bankers pushed through fascist regimes* in Europe. And they took over in continental Europe. What were these? These were responses to a crisis, to establish a dictatorship, to prevent the people from demanding that the general welfare of the people be the standard of performance for society.

### **Break the Baby-Boomers' Arrogance**

The people who are opposed to me, are opposed to me, because they know *exactly* what I would do, as President: I would do the same thing, in principle, that Roosevelt did. In a crisis, you have to *defend* the nation, and you defend the people first of all. The bankers come second. Their claims are not primary. The people's claims, to life, the claims to the prosperity of their descendants, their children, their posterity, is primary. This is our character, to our melting-pot country! We're a melting-pot nation—always have been, from the beginning. We're unique, in that respect: We're a true melting-pot nation. Most of us know it.

Therefore, what's the purpose? It's not a nationalism, in the sense that you find in some other parts of the world. That's not our nature. We're not racial, or ethnic nationalists. We have a few people who aberrate in that direction. But, we're a people who are looking for a nation in which we can live, develop our posterity, and look forward to a better life for our posterity than we have for ourselves. That's the notion of general welfare. That's the basic thing that the American *thinks* about, when he's conscious: To have a country which

is committed to the general welfare, the sovereignty of the people, and the benefit of posterity. And that's the characteristic of a melting-pot country.

I mean, people came to this country—poor! Poor immigrants, looking for an opportunity, sacrificing, often suffering, to get their children ahead. And you would see the migration. People coming in as poor immigrants, struggling, building a family, being assimilated into the community. Then, their children would rise, in condition of life, better condition of life than they had. And they *worked*, to make that possible. And their grandchildren would be among the leaders of the professions in the country. And that's the way we thought of building a nation.

So, we have to recapture that sense. And the only way it's going to happen is one way: You have to break the back of the arrogance of the generation which is running the country. What will break their back, is when they see their money is going, and they depend upon the government to save them. They give up their arrogance: Right now, the Democratic Party—it's just like the Republican Party, in one sense—the Democratic Party is committed to what is called the "suburban group." What's the "suburban group"? The upper 20% of family-income brackets. The Democratic Party is controlled by the idea of trying to control its population *in the interests of the upper 20% of family-income brackets*. It's called the "suburban policy"! It's what Hillary Clinton, for example, supports. It's what they adopted from Tony Blair, in London, as a policy in the Democratic Party. The lower 80%, who have been suffering increasingly over the past period since 1977, in terms of the physical conditions of life and opportunities, are shoved to the one side. What they do with the lower-income brackets, they give you "wedge issues": How do you feel about abortion? Did you have one recently? You know, this sort of thing. These kinds of issues, which tend to divide people—about social-cultural issues, which are not the primary issues of the nation—are then used: to divide people, to weaken, and put the poorer strata of the population *against each other*; and thus, with a small group, to be able to control the political process as a whole.

So, that's what we're up against.

### **FDR or a Fascist System**

It's necessary to understand this in a deeper way. And, we've gone through this, and most of you know it, because we did a lot of work around this, about this problem of synarchism. When the United States was founded, at that time—it began from about 1763 on, when the British became an empire, the British East India Company, through the Treaty of Paris of 1763. And, the British at that point, the British East India Company, had two concerns: One, was to destroy France. And the other, was to prevent the English colonies in North America from achieving independence. These were the two policy-planks, of the founding of the British Empire, in the middle of the 18th Century.

We founded our republic. We founded it with a Constitution which is the best in the world, of *any* country. Qualitatively, far and above. But, we were only 7 million people, and once the French Revolution had occurred, which was organized by the British in order to destroy France, and the terror of Napoleon was unleashed, from that point on, the United States was isolated. And all kinds of things happened to us, because we were a small nation, of 7 million people, against the entire forces of Europe.

So, that was our situation. And, we didn't get out of that, until Lincoln changed the country with his leadership, during the 1860s. Then we became a great power. But, from that point on, the intent of European forces—especially the British—was to either take us over, or destroy us. And, European countries were never able to develop a system of government comparable to our own, because of this factor.

So therefore, with our Constitution, we, as a nation, have a special mission, through our Constitutional tradition. And it's to try to bring forth on this planet, what was the original intention of the founding of our republic: To create a model republic, which would inspire other parts of the world to do the same in their own countries. And to bring about a system of a fraternity among sovereign republics, which would create a peaceful order among nations of this planet.

That is what we accomplished in a sense in World War II. You had the British, who were part of this fascist operation. But the British didn't like the idea of giving up their empire to a continental Europe, Hitler-run, imperial system. So therefore, some people in Britain—including Joe Kennedy, the Ambassador, the father of Ted Kennedy was fired, because he was a Göring-lover, of Hermann Göring—very close to the fascists.

But, nonetheless, these fascists decided to support Roosevelt in fighting the Nazis. And we led, in defeating the danger of Nazism. If Roosevelt had not done what he had done, the world would have been under a fascist system. It actually would have been led by Adolf Hitler, and his crew would have ruled. Roosevelt saved the United States—and saved civilization, by that leadership, and we saved it.

So, it has become our destiny, in part, to take the legacy of what we did in forming this republic to be the leading institution to fight for a system of fraternity among sovereign nation-states, and cooperation on this planet.

That's our historic mission. It's ultimately the only security we have. Because, horrors can develop in other parts of the world: If we can not work to create a just world order among sovereign nation-states—not an empire, but a cooperative system among sovereign nation-states—this planet, with the technologies that exist, and the dangers that exist, will go into Hell.

Therefore, we have a mission: Not only to save our country, under the threat of the present state of affairs, the present depression; but, at the same time, to take a leading initiative, as our country, to bring about cooperation among nation-

states around the planet, using our influence, and our perspective of that world.

Now, this is exactly what I did, in the case of going at this Southwest Asia policy: There can be no peace in the Middle East, unless the United States does its job. Because, you can *not*—apart from the negative factors, like the Bush Administration—you can not have a Middle East peace, without settling the Palestinian-Israeli question. And you can not do that, unless *the United States does it!* It is impossible to bring that about, except by action by the United States. We can do it. We can bring it about.

It takes understanding. It takes an approach like the Treaty of Westphalia of 1648 to do it—but *we can make it happen*. And, if other nations of the region, as indicated by response to my proposals recently, from the so-called Arab world, there's a willingness to go in that direction. And there's a willingness to trust my initiative in pushing that policy. So, all these things are tied together.

### **Nobody To Vote For?**

Here we are—great depression; we're about to disintegrate; we have decayed. The people who are running the country are decadent! They're corrupted by the transformation in culture, which occurred, especially from about 40 years ago, on. We have a younger generation, in the 18-25 age-group, which know they have no future, *under their parents' system!* Therefore, they want a solution. And, if the younger generation can, somehow, kick their parents' generation into some degree of sensibility, to say: "Daddy and Mommy, please rejoin the human race. Give up your fantasy life, and rejoin the human race. Your grandchildren and our grandchildren demand it. They have a right to life. They have a right to a future. Come back to your senses."

And, if we can do that, and if we do it with our Constitutional tradition: We, as the United States, will, once again, as with our founding as a republic; with our renewal under Abraham Lincoln's leadership; with our renewal of our role in World War II; we can, once again, become ourselves.

And, that's what I'm committed to. I can't say how it will work, or when it will work. I know what I must do. I know what we must do. I know the concept we must have, and continue to work for.

I do know, that Kerry is a loser—well, he's a loser! People who were thinking of supporting a Democratic candidate, and hoped that he would be that—on the Republican side—are deserting it, and saying, "It's hopeless." Some people are even saying, it's better to have Bush in, because Bush will sink things faster than Kerry will; and that will force the issue, where we will be forced to change.

That's our situation.

So, what we are doing is a morale factor, for the U.S. population to know that there's *something else* besides what we have now.

Look what we had in the year 2000: You had two *abso-*

*lutely incompetent* candidates for President of the United States! You had George W. Bush: a mental case! A stupid character! He's only a puppet for a ventriloquist, called Dick Cheney. And Dick Cheney can only talk, when he takes the rug out of his mouth. And we had Gore, who was also equally bad, in a different way. The American people had, in effect, *nobody to vote for* in the year 2000! *And they got nothing, as a result!* Or, less than nothing.

Again, now, we have Bush re-running: Now, we know what he is—he's the dumbest man in America! And a mental case on top of it. He's a puppet! And then, you have this Kerry, who—you know—is probably a nice guy. If people came into his office, and said, "I got a problem. My neighbor's got a problem," he'd take down the name, and have some aide go out, and try to do something, like a social worker. So, he'd be a kindly social worker. But, a Presidency of the United States is not to be a social worker, a kindly social worker, at this time! We've got some very serious issues, which he refuses to face.

So, we have, again, a disaster! Going into the Summer conventions, we have a disaster. We have a Bush-Cheney ticket, as of now, which is going in for renewal. We have a Kerry ticket, and who knows what else, which, as of now, is utterly incompetent! It's a replay, in that sense, of the year 2000, where the American people had a choice between nothing and nothing! And again, we're being given a choice between nothing and nothing, with this acute crisis.

The problem I get, is an acute demoralization spreading among our people. They don't say, "No other candidate can win!" They say, "*We are going to lose!*" *We are losing*. It is as a people that we are losing! It is the *country* that's losing! Not the candidates.

And, the only chance now is that the onrush of this financial collapse, and the anger of what's happening in Iraq, and what that implies: that these two things will produce a *shock*, which will force a change, in the way this election campaign is going.

### **LaRouche's Opposition Role**

What we have, on the positive side—as you may have observed: The center of our system of government is the Executive branch. The Executive branch is not just the President; the Executive branch is the professional military; it's the diplomats; it's the intelligence service; it's the other people who are part of the institutions of Federal government—not only while serving in government; but also out of government, as college professors, or in some profession, who are still in active relationship to people in the government apparatus.

The Executive branch of government of the United States, is unique, among governments in the world, in the fact, that it follows the Constitution: We don't make coups in our country, against our government. They do that in other countries. But, in the sense that the Executive branch—

we have a Presidential system, which is supposed to react as necessary to breaking developments. We're not a parliamentary system.

We have, in addition to these sections of our government: You see, the military, the intelligence services, are leading the attack against the Bush Administration's horror-show in Iraq, in the Middle East. That's where it's coming from. These are people I've been working with, in this area of our establishment, the Executive Branch: sections of the intelligence service, military, diplomats, and so forth.

And also, with people in our Congressional system, Legislative system—both on the state legislator level, and on the Federal. And you see, now, as you see reflected in the press, you see a process, in which a number of Senators, other members of Congress, are working together; working together with retired generals; working together with retired intelligence people; working together with others. You find a certain section of the press, like you see sometimes, the *New York Times*: There's a story that's planted which may have originated with me. It then is re-written by somebody else, and it comes out in the *New Yorker* magazine, or the *New York Times*, as the way the *Children of Satan* was reflected in the *New York Times*.

So, we have a process, among institutions which are associated with our system, our establishment, which are reacting, against this horror-show in Iraq, as it's coming out.

So therefore, our situation is not hopeless. But, the system works slowly. In the political party campaign organizations, we have the worst rottenness—both in the Republican Party and in the Democratic Party: It's rotten.

But, under conditions of crisis, where the people realize they can not submit to this party process any more; and, in which important people who are associated with the Executive branch, who are also associated with the Legislative branch of government—both on the state and the Federal level—realize how serious the crisis is; a *shock* will produce a reaction. And, you've already seen a good deal of it. You've seen it around the pictures from Iraq. The pictures have produced a shock. People have gotten off the edge, and moving.

So, the situation is not hopeless. We have to keep fighting, all the way through: Because there are forces which know they have to move, and these shocks, which will come fast and furious now, will give us new opportunities.

### Think Like a President

We have to—really, re-create our political system again. It's been destroyed over the past 40 years. We have to re-create it. We have to build a process, a political process in our country, which involves the people, involves the lower 80% of the family-income brackets, as *active parts of this process*. The poorer people of the country, think of themselves as begging for handouts; or nagging for handouts. They don't think of themselves as having the power to influence the shaping of

the policies of government at the top. They're begging for the bottom—begging nastily, begging aggressively—but they're *begging!*

They're not thinking about how to make the country work. They're not *debating* how to make the country work. They're debating little issues. Where they get this, where they get that; who gets this, who gets that.

In the meantime, we're losing everything.

But, we've got to put the country back together again. And we have an opportunity presented to us, known as a crisis: a great financial and strategic crisis. This crisis will come to us as a shock, which may force us to realize we've been behaving like fools for too long. For two generations, we've been behaving like fools. We'll stop behaving like fools; we'll think of ourselves, as—all—as participating in the leadership of our country, the leadership of our institutions. And we'll go in, not saying, "I want this; I want that. My neighbor needs this." We go in, saying: "What does this country need? What do our people need? What does the next generation need?"

Start to think like a President, as if you were a President; and you're caring for the country. Try to find out what is right for the country. And find your place in that. Find your own sense of identity, that you're part of that. That's what we have to do.



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## In Bremer's Iraq, Democracy Is Hatched In A Coup

by Muriel Mirak-Weissbach

If, as President George W. Bush has always maintained, the introduction of democracy in post-Saddam Iraq is the harbinger of sweeping democratic reforms throughout the region, then, the message sent out to leaders of neighboring countries is loud and clear: Beware! You may be the next to go! No matter how much tinsel be draped over the figureheads of the new interim Iraq government that was ceremoniously presented in Baghdad on June 1, the plain facts are that that government was nothing but a rearrangement of the Iraqi Governing Council (IGC) appointed by American proconsul Paul Bremer. The new government was put in place through a process which can be characterized as a coup—against the United Nations and its special envoy Lakhdar Brahimi, who had been tasked to help form a government.

Brahimi, who had conducted in-depth talks with Iraqi political figures, tribal leaders and religious authorities, had reportedly come to the conclusion that the least offensive government, in the eyes of the country's population and neighboring nations, would be one composed of faceless technocrats, whose main task during its limited mandate, would be to work with the UN to organize national elections by the end of 2004.

### 'Bremer Is the Dictator of Iraq'

Instead, Brahimi was presented with a *fait accompli* on May 29, when the IGC boldly announced that it had elected a prime minister, and, soon thereafter, a president. For the first post, they chose Iyad Allawi, a neurologist with longstanding links to Anglo-American intelligence agencies; and for president, Sheikh Ghazi al-Yawer, a Sunni leader of the large Shammar tribe. The IGC made the announcement in a press conference called for Arab media outlets, with the intention

of presenting the operation as a genuine "Iraqi" move.

UN personnel were furious; later, press coverage spoke of the UN having been "duped." UN Secretary General Kofi Annan himself issued the understatement: "We all have to recognize the process wasn't perfect."

Brahimi did not mince words regarding who was ultimately responsible. The entire coup had been organized by Bremer's Coalition Provisional Authority (CPA) together with the IGC which he had created. Brahimi said that although he had been mandated to choose the new cabinet, the real power was the United States. Brahimi wearily told a June 2 press conference in Baghdad: "The government of Iraq, I sometimes say—I'm sure he doesn't mind my saying this—Bremer is the dictator of Iraq. He has the money, he has the signature." It is "the Americans who run the country. . . . Nothing happens without his agreement."

Brahimi, furthermore, had been trying to engage forces in the new government which would represent those opposing the occupation. "Why is there . . . this insurgency?" he asked on June 2. "I think it's a little bit too easy to call everybody a terrorist. And I think if you find out that there are people who are not terrorists, who are respectable, genuine Iraqi patriots, you must find a way of talking to them."

But for Bremer, the primary consideration was to have a loyal puppet government. For the IGC members, who have thoroughly discredited themselves as such puppets since being named by the occupation, it was a matter of hanging on to "power."

### 'Son of IGC'

The new interim government includes ten members of the IGC. Thus, as soon as it had been constituted, the mother

organization announced it would dissolve itself, to allow the new body to start functioning. A quick overview of the profiles of the leading members, illustrates the Quisling nature of the government. Prime Minister Iyad Allawi is a man with long years of collaboration with the CIA, State Department, and Britain's MI-6. Indeed, the question that his nomination raises, is: Is he more a British or an American agent? The American press has highlighted his CIA connections, whereas the *London Times* entitled its story on Allawi: "Iraq premier's MI6 links." The 58-year-old Dr. Allawi was a senior member of the Ba'ath Party, who broke with Saddam Hussein, and went into exile in London. He founded the Iraqi National Accord (INA) in 1990, and quickly received backing from the CIA and British intelligence, largely due to the fact that he had recruited into his INA large numbers of Iraqi dissident military and Ba'athists. Although Allawi is a Shi'ite, his INA includes Sunnis as well.

Allawi was in charge of security for the IGC, while his cousin was its defense minister. Allawi is reportedly the man who told the British that Saddam Hussein had the ability to launch weapons of mass destruction within 45 minutes, an infamous claim that was presented in British Prime Minister Tony Blair's famous dossier.

Allawi's ascent followed an extensive public relations campaign for him, run—not from Iraq—but by the Washington, D.C. law firm of Preston, Gates, Ellis, and Rouvelas Meeds, and the New York PR firm of Brown, Lloyd, James, which together spent nearly \$350,000 on meetings including Congress, the NSC, think-tanks, and Vice President Cheney's office. The *Financial Times* said the choice of Allawi was a victory for the IGC; and "His nomination also represents a victory for the CIA and the U.S. State Department in their struggle with the Pentagon over control of policy in Iraq. Mr. Allawi is considered a protege of the CIA, while his arch-rival, Ahmed Chalabi, was backed by the Pentagon." It can be assumed that the vast majority of Iraqis will not be enthusiastic about having a 20-year exile, CIA/MI-6 agent as their prime minister of the new "sovereign" and "independent" government of Iraq.

One of the two Vice Presidents, Ibrahim al-Jaafari, leads the Shi'ite Muslim Al Dawaa Islamic Party, which was founded in 1957-58 by the uncle of radical Shi'ite militia leader Moqtadar al-Sadr. Jaafari, born in Karbala, joined Al Dawaa in 1996. Jaafari has an Iranian connection, and had travelled to Tehran to confer with President Mohammed Khatami on how to end the fighting in the holy Shi'ite city of Najaf. Jaafari had lived in Iran until 1989, when he fled to London.

The two leading Kurdish parties are represented in the new government as well. Vice President Rowsch Shaways is the speaker of the parliament in Irbil, in the Kurdish North, and a member of the Kurdish Democratic Party. The Deputy Prime Minister for National Security Affairs, Barham Saleh, belongs to the other main Kurdish party, the Patriotic Union

of Kurdistan, and is very close to the United States. Foreign Minister Hoshiyar Zebari, a Kurd, was also a member of the IGC; he had been involved in Kurdish fighting against Saddam Hussein's regime.

Finance Minister Adil Abdel-Mahdi is a Shi'ite, educated in France. His father was a minister under the monarchy in Iraq. He is an official of the Supreme Council for the Islamic Revolution in Iraq. Oil Minister Thamir Ghadhbhan has been the American puppet running the oil operations since the occupation, and has been involved in plans for privatization. He was appointed by the U.S. Office of Reconstruction and Humanitarian Assistance.

Given this cast of characters, it is no wonder that the interim government was received with skepticism, at best, and ridicule, at the worst. But U.S. National Security Advisor Condoleezza Rice was delighted. "I can tell you firmly and without any contradiction: this is a terrific list, a really good government and we are very pleased with the names that have emerged," she said.

Otherwise, in the Arab world, the word was that another puppet government had been born. One Arab source based in Lebanon noted to *EIR*: "Nothing has changed. The Americans nominated the Iraqi Governing Council, and now they have nominated the government. They are all puppets. . . . It will all be an American game, until and unless elections take place, if the U.S. allows them; then they will run into real problems."

The puppet image also made the rounds of the newspaper cartoons. One, published in the British *Guardian* on June 2, depicted a circus tent, with "Cheney's Neo-Con Puppet Show" written on the outside. From the opening of the tent, one could see Dick Cheney's snarling face, and his right hand, which has a Bush puppet on it. Another puppet, with a label reading "Pachachi" lies lifeless on the ground. To the right is a large box, with a bunch of other puppets in it, who are holding up a puppet of the new Iraqi president. The box has written on it: "Iraq Governing Council Puppet Set: See Them Come To Life!"

## **Puppets Cannot Govern**

Lyndon LaRouche's comment on these appointments was categorical. Comparing the new arrangement to the revisions during the Vietnam war, he said, "None of those would work. The stooge government of Chalabi was thrown away, but the stooges are still there, running the provisional government, with the same mission. They're going to do what their masters want them to do. And their masters are people like Cheney and Blair. And they will do that. Therefore, the asymmetric warfare will continue, and will accelerate."

To wit: The first thing the newly named ministers did was announce their obedience. On June 1, Allawi said he would call on Iraq's allies—the occupying forces—to help "defeat the enemies of Iraq." He promised to strengthen the army and raise pay for soldiers. Switching to English at the ceremony presenting the cabinet, Allawi said: "We're grateful to the

national alliance led by the Americans who have sacrificed so much to liberate us.” Reportedly, Allawi will open talks immediately on a status-of-forces agreement with the occupying powers.

Not coincidentally, as the new cabinet was being presented to the world, bomb blasts were to be heard in Baghdad, and the asymmetric warfare escalated in the days thereafter, not only in the capital, but in Kirkuk, Fallujah, and Najaf.

As Brahimi noted with perspicacity, no matter how loyal the new government may be to its puppetmasters, it is the Iraqi population which must be convinced. On June 3, he said bluntly, “None of us should forget that ultimately it is only an elected government that can legitimately claim to represent the people of Iraq.”

### A New UN Resolution?

Both the U.S. and U.K. governments assumed that the process of transfer of sovereignty, as they call it, would be sanctioned by a new UN Security Council resolution. After significant resistance was mounted by China, Russia, France, and Germany to their first draft, the Anglo-Americans presented a revised version. But the criticisms remained. One issue raised on the first draft was that it did not specify the timeframe for ending the occupation. In the second draft, paragraph 10 redefines the matter as follows:

The Security Council . . . 10) Decides further that this mandate for the multinational force shall be reviewed at the request of the Transitional Government of Iraq, or twelve months from the date of this resolution, and that this mandate shall expire upon the completion of the political process set out in paragraph three above; and declares its readiness to terminate this mandate earlier if requested by the elected Transitional Government of Iraq.

In short, occupation should end and the troops be withdrawn “upon the completion of the political process.” This process was to include the “(a) formation of a sovereign Interim Government of Iraq . . . by 30 June 2004; (b) convening of a national conference; and (c) holding of direct democratic election by 31 December 2004 if possible, and in no case later than 31 January 2005, to a Transitional National Assembly which will, *inter alia*, have responsibility for forming a Transitional Government of Iraq and drafting a permanent constitution for Iraq leading to a constitutionally elected government; . . .” The UN special envoy is, furthermore, tasked to help set up “a national conference to select a Consultative Council,” and advise and support the electoral process.

This is interpreted to mean that the military occupation will end at the end of 2005 or January 2006; yet, there is no fixed date given in the draft, and the resolution states that

“the multinational force shall have the authority to take all necessary measures to contribute to the maintenance of security and stability in Iraq including by preventing and deterring terrorism, . . . etc.”

The criticism raised by Russia, China, Germany, France, and others boils down to two points: How “sovereign” can the Iraqi government be, under these conditions? The resolution draft speaks of the “importance of the consent of the sovereign government of Iraq for the presence of the multinational force and of close cooperation between the multinational force and that government,” but there is no indication that the Iraqi government will have the power to veto military actions taken by the occupiers. On June 3, *BBC* reported that Secretary of State Powell had said that the new Iraqi government would *not* have veto power over U.S.-U.K. forces after June 30.

Even aside from the 150,000-strong occupying force, the Bremer/CPA-dictated policies of the past year, imposed by a process illegal under international law, produce massive ambiguities regarding the actual jurisdiction of the Iraqi government. First: Bremer has decreed that Americans in Iraq are immune from Iraqi law. Is this immunity to continue? Second: Bremer had decreed that all transactions of the Iraqi government must be audited by the International Monetary Fund, the World Bank, the UN, and the Arab Development Bank; will this continue? Third: The plethora of international multi-billion dollar contracts signed are also all illegal. Fourth: The several institutions set up under the occupation, including a central bank, have no basis in international law. Fifth: There upwards of 10,000 Iraqis who are prisoners of the occupation force. They have apparently not been formally charged, provided legal assistance, or anything else, according to normal procedure. What government will have the right to decide their terms of trial, further detention, etc.? Sixth: The so-called Transitional Administrative Law which Bremer decreed, was signed by the CPA and the IGC. The CPA is to cease to exist after June 30, and the IGC has already been dissolved. Bremer insists that this “Law” be maintained, but there is no reference to it in the new UN draft resolution.

### Regional Tensions

More threatening than these legal snags (which could be settled with recourse to international law) are regional tensions, which are escalating in a way that indicates a deliberate destabilization of Southwest Asia is underway.

As Lyndon LaRouche outlined in his April 17 “LaRouche Doctrine” for Southwest Asia, the Iraqi crisis can only be solved, and U.S. forces quickly withdrawn, by locating it—as well as the Palestinian-Israeli conflict—within the overall regional context, of Southwest Asia, and organizing the cooperation of neighboring states for a regional security arrangement. LaRouche defined four keystone states—Egypt, Syria,

Iran and Turkey—whose active support for a security arrangement would be crucial. In the recent weeks, not one, but three leading neighbors of Iraq, have been affected: Turkey, Iran, and Saudi Arabia.

The terrorist attacks inside the Saudi kingdom have been widely reported, and automatically attributed to “al-Qaeda,” without any further documentation. However, terrorist experts consulted by *EIR* have hypothesized that it is the neo-conservative apparatus in Washington which may be deliberately orchestrating a “chaos scenario.”

According to one Southwest Asia expert, money has been pouring into Saudi Arabia to support certain tribal and other elements who are manipulating the terror attacks. The fact that the Bush Administration withdrew all but its essential diplomatic staff and advised all Americans to leave Saudi Arabia, was seen as a signal of withdrawing political support for the regime. This fuels the opposition, particularly fanatical Wahabite elements which are conducting the attacks. No single opposition force has “the power to seize control of the country,” says one source, “but it is just chaos theory.” And someone in Washington is orchestrating the chaos, against a regime which has been explicitly targeted by the neo-cons likes of Richard Perle.

Relations with Iran have been affected by the “Chalabi affair”; that is, the scandal that broke around the figure of Ahmed Chalabi of the now-defunct Iraqi Governing Council. Chalabi, who has been exposed by *EIR* over years as the leading Iraqi player for the neocons, was dumped last month, and charges circulated internationally that he had been passing sensitive intelligence from the United States to contacts in Iran.

Whatever Chalabi’s crimes, they were committed through the still-surviving “Iran-Contra” networks; the Iranian government of President Mohammad Seyyed Khatami was involved. In fact, the Khatami government, as represented abroad by Foreign Minister Kamal Kharrazi, has been engaged indefatigably in the effort to stabilize the Iraq situation. Iran has intervened directly, through Kharrazi’s diplomatic efforts throughout Europe, Russia, and the region; and indirectly, through Iraq’s Shi’ite religious leadership, to prevent the situation from exploding. This is precisely the reason why such press spin is being organized against Iran, to undermine the critical role that Iran has continued to play, in seeking rational, peaceful solutions to various aspects of the crisis in Iraq. In addition, the allegations that Iran is working on a secret nuclear weapons program have been resurrected in the international press. The damage has been done, and the high-profile diplomacy undertaken by Kharrazi, in the direction of progress for Iraq, has been toned down.

In Turkey, the political temperature has suddenly risen. While Prime Minister Erdogan has been intervening most vocally to denounce the genocidal policies of Israel’s Sharon government against the Palestinian people, the security situa-

tion inside the country has become red hot. In preparation for the NATO summit to be held in Istanbul later in June, massive security measures are being mounted, with tens of thousands of troops and police deployed, a no-fly zone established over the city, and a “NATO valley” of seclusion set up. An important international conference scheduled for June 19-20 in Istanbul, which was to discuss U.S. policy for the region, and the Iraq war, had to be cancelled because the authorities could not guarantee the security required.

On June 1, the terrorist Kurdistan Workers Party (PKK) announced, in a press conference in northern Iraq, that it was ending its unilateral ceasefire in its war against the Turkish government. The announcement was made in the Quandil mountains in Northern Iraq. Zubeyir Ayder, head of the presidential council of the group, said the ceasefire was ending because the Turkish government refused to recognize it. He warned tourists and investors not to travel to Turkey. Other reports indicated that the decision to end the ceasefire had been ordered by the jailed PKK leader Abdullah Ocalan, who called for war against the Erdogan government.

In a background piece on June 3, the *Neue Zueriche Zeitung* reported, “Turkish army circles believe that hundreds of armed PKK rebels have infiltrated Turkey from northern Iraq in the past weeks. The Turkish government blames the U.S.A., for having done nothing against the PKK presence in northern Iraq.” There are about 5,000 PKK fighters in the region. The *NZZ* points out that “a revival of the war could be devastating for the entire region. Iraq’s Kurds fear that the Turkish army would use the fighting in southeastern Turkey as a pretext to legitimize a new intervention in northern Iraq.”

The Iraqi situation, though deteriorating, is not hopeless. As defined in the LaRouche Doctrine, a government worth its name must be supported by the entire population, and must, therefore, include those political circles formerly associated with the Ba’ath Party. Lakhdar Brahimi apparently intended to draw such leaders in from the opposition, into a government of national reconciliation, but was blocked. Likewise, a national military force, under the leadership of patriotic officers, must be reconstituted, if there is to be true security.

At the same time, as LaRouche has proposed, the regional powers must be brought into the equation. This means reversing the destabilizations which have been unleashed. And that can be done only by removing from power in Washington, those neo-con figures—beginning with Dick Cheney—who launched this insane war policy.

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## Saudi Paper: Land-Bridge Associated with LaRouche

*The Saudi weekly magazine Al-Jazira, published by Saudi Al-Jazira Publishing House, which produces Al-Jazira daily, one of that nation's leading publications, published a beautiful and lengthy report by Dr. Atef Mutamid Abdulhamid, professor of Geography at the University of Cairo, on the history and revival of the Silk Road. The article was published in the May 25-June 1 issue, and titled, "Life Returns to the Old Artery: The New Silk Road, a Cultural and Economic Bond." It is a thorough review of the history of the Silk Road as an historical conveyer belt of cultures, philosophy, religion, music, scientific discoveries, and goods between some of the worlds most ancient cultures. Selections from the article, translated by Hussein Askary for EIR, appear below.*

From the land in the East, from which philosophy and the territories where goods unknown to the West were rooted, a flux of goods, such as silk, moved across a land route extending from the coast of China to the heart of Europe. It is obvious that with the spices and trade, many forms of oriental cultures and arts were also communicated. The Silk Road is not one route, as many people believe, but many passages that transverse the two continents of Asia and Europe from the East to the West.

The most outstanding part of this road is the one which started from the old Chinese capital, Xian, diverging into two routes, one to the North and the other to South. Both of them pass through Central Asia, avoiding the terrifying Taklamakan Desert. The two routes then meet in the Iranian North, to move westwards to the eastern Mediterranean ports, such as Antioch and Tyre, and even to Rome. The most important periods in the history of the Silk Road are: first, the interval between the early 3rd Century B.C. to the 3rd Century A.D., during the rule of the Han dynasty in China; and second, the early 7th-10th Century interval during the rule of the Tang Dynasty.

Although the general image of the trips along this road is that of camel and wagon caravans, many researchers and scholars agree that the most important virtue of this road, with all its directions, was that it was a very good transmitter of the cultures that existed in the world at the time, such as the Chinese, Korean-Japanese, Indian, Persian, Central Asian, Arabian, and Mediterranean Cultures. Many scientific discoveries and inventions that were made at that time, were transmitted and exchanged among the nations through which

the Silk Road passed. One of the most important images of the cultural exchange that took place, is that ideas and religious principles were mixed and interchanged along this road, which witnessed the emergence of the Confucian, Taoist, Buddhist, Manichaeian, Zoroastrian, Christian, Jewish, and Islamic religions. In line with each belief and religion, temples, mosques, and churches were built. . . .

The Silk Road has been organically connected to China. Therefore, China is the one nation that has been most interested in reviving this road, and has planned various projects and conducted thorough studies to develop a modern concept of the Silk Road.

### Reviving the Silk Road

Great efforts are being exerted today to revive the Silk Road. These efforts are made on two levels: the Cultural and economic level.

- The cultural level: The cultural developments that the world witnessed during the 1990s, lead to the proliferation of concepts such as the "clash of civilizations," along with other concepts opposing the call for a "dialogue of civilizations." This was followed by the development of other cultural-political concepts with the objective of bringing cultures together for economic and political reasons. One of the best known of these concepts is the "Intercultural Dialogue" which UNESCO had, since the early 1990s adopted as a title for an international campaign to revive the Silk Road.

- The economic revival: After a five-century pause, the Silk Road was put on the agenda again, and many economic forces endeavored to revive it and blow life into it. It seems that the reasons behind this are the following: 1) The collapse of the Soviet Union and the fall of the "Iron Curtain" which was an obstacle for economic collaboration between Asia and Europe; 2) The increasing integration of Russia into the economies of the European Union, opening new horizons for communication with Asia (through Russia). At the same time, there has been a growing partnership between the United States and the nations of Central Asia and the Caucasus; 3) The European countries' eagerness to fill the power vacuum left by the other major economic forces that were supported by the Soviet Union in the past, and not allowing Russia to dominate economically in these regions. From another standpoint, there has been a growing tendency in the West to develop and support the nations of Central Asia, to block the way of fundamentalist religious groups and parties from taking power; 4) The warnings issued by internationally-known economists, such as Lyndon LaRouche, against a worldwide depression (which he believes is worse than the 1930s Great Depression), and that the recovery of the world economy requires a thorough search for all possible ways of increasing trade and economic collaboration on a global scale. . . . LaRouche has adopted the idea of "the Eurasian Land-Bridge," an expression which has become associated with his

name; 5) The increasing growth of the natural resources of the Caspian Sea nations, especially natural gas and oil; 6) The Chinese search for new markets all over the world, and to find resources for developing its own regions, especially the poor western part of China.

Therefore, it could be said that China is the nation which is most interested in reviving the Silk Road, not only for its historical role in that, but also its aspirations to reach into Eurasia culturally, politically, and economically.

### **The First Eurasian Land-Bridge**

The Russians believe that it is possible to activate the existing networks of transport structures. One of the greatest continental transport lines in the world is the Trans-Siberian Railway, which connects Eastern Europe with the Far East. The eastern end of this railway could easily be connected to the Chinese railway network. Some of the best joint efforts were made in the form of holding meetings of research circles, and conferences, among nations from both Asia and Europe to increase the cooperation with China on building the main network of transport on this route; that is, by connecting the individual national basic infrastructure networks with each other. Many of the connections are not completed yet, and some of them need upgrading to qualify at the level of the greater Silk Road network.

Gradually, the attention was moved from simply reviving the old Silk Road, to developing it to accommodate the huge and growing level of world trade 2,000 years after its initial establishment. And, in order not to associate the name with merely the trade in goods, it has become the Eurasian Land-Bridge.

### **LaRouche's Role in Developing the Concept**

There has been one prominent scientific personality in the field of economics who has contributed to the development of the idea, as well as spreading it to all parts of the world. That is American economist Lyndon LaRouche. LaRouche's first contributions came through developing his idea of the "Productive Triangle," which he coined in 1989, following the fall of the Berlin Wall. The sides of this triangle expand from Paris to Berlin, and Vienna. This triangle hosts the greatest concentrations of industrial capabilities and skilled labor in the world. LaRouche presented detailed plans for extending arms from this triangle (in the form of transport and energy lines) to Eastern Europe to help revive their economies. These arms would reach Moscow and St. Petersburg in the North, Kiev in the Center, and the Balkans and the Black Sea in the South. Many studies state that the immediate objective of this idea is to help the economies of the East to recover after coming out of Soviet control, but the more important long-range goal is to pull the world economy out of a depression worse than that of the 1930s. After the fall of the Soviet Union, LaRouche developed his idea to connect Asia with East Eu-

rope and the Productive Triangle in West Europe. Simultaneously, China, due to its enormous industrial development, intended to develop its western regions, finding new markets, and connecting its economy with the world economy through the New Silk Road, which it identifies as "the project of the century."

### **The Project of the Century.**

Helga-Zepp LaRouche evaluates the Chinese situation by describing it as the fastest growing economy in the world. With this growth, and the realization by the Chinese that the American market could potentially shut down in the face of their exports, they have been looking for new markets in Central Asia, the Middle East, and Europe. Therefore, China (according to Zepp-LaRouche), is making major efforts to activate the economic plans aiming at increasing the size of China's transport and communication network with more than 10,000 kilometers of new railroads (to reach 90,000 km in 2010). It also increases the number of highways, surface railroads, and underground railroads, and intends to build more than 100 seaports and airports. There are also plans to build 300 new cities in the next quarter of a century, to accommodate the number of inhabitants, which is expected to increase by 200 million. Add to this, the basic economic infrastructure networks, such as the power generation plants and distribution networks, and water and irrigation channels from the South of the country to the dry northern regions. Four nuclear power plants are planned to be constructed in the next ten years.

In brief, these infrastructure projects are indeed "the project of the century."

Whether in China, Russia, or in Central Asia and the Caucasus, the scientific discussions have shifted from simply talking about railways, roads or oil pipelines to the higher level of "Development Corridors." LaRouche developed the concept of development corridors, in order to emphasize that the Eurasian Land-Bridge does not aim at merely transporting goods and commodities, but at developing the regions and nations, in Asia and Europe, through which it will pass. The concept of the "development corridors" is based on creating a land belt along the route with a width of 100-150 kilometers. In the center of this belt, there will be main lines for high-speed railways (which reduce the cost of transport of goods in a more efficient way than any other means, and are safer). On the sides of these main lines, there are pipelines for gas and oil, artificial water channels and rivers, and high-capacity communication lines, such as fiber optics for electronic communication.

These belts and lines will be extended to form the center of existing or potential urban expansion, and the building of new cities and urban centers. Eventually, there will be secondary land transport lines, connecting these urban centers to the main lines on this Land-Bridge.

# Brazil-China Relations A Cooperative 'Paradigm'

by Gretchen Small

"The time has come to consolidate the union between [Brazil and China]. This alliance will serve as a paradigm for cooperation between nations. Two giants without divergences are free to think of the future and grow in diverse areas," Brazilian President Lula da Silva stated in closing the seminar on "Brazil-China: Trade and Investments. Perspectives for the 21st Century," held in Beijing on May 25, in which more than 700 Brazilian and Chinese businessmen participated.

This spirit shaped Lula's May 23-27 visit to China, which had as its goal the strengthening of the strategic partnership which the two countries established in the 1990s. The importance which Brazil invested in the trip, was seen in the delegation which accompanied Lula da Silva: seven cabinet ministers, six state governors, one Senator, 10 Deputies, and more than 420 businessmen.

More than 15 economic and trade deals were signed during the visit, including joint industrial projects of a scale reflecting the size and aspirations of these great developing nations. Even more exciting long-term, high-technology-centered agreements are under discussion for the future. Agreement was reached to establish a "High-Level Brazilian-Chinese Commission for Deliberation and Cooperation," to coordinate the multifaceted aspects of their expanding relations, not the least of which are common efforts to bring about a United Nations-centered "multipolar international system," based on respect for sovereignty and international law. Brazil's Vice President José Alencar and Chinese Vice Prime Minister Wu Yi are to head this governmental commission, while a Brazil-China Business Council has also been formed to facilitate private sector coordination.

## Fostering Mutual Development

Brazil's partnership with China is not some "communist turn" introduced by the Lula government, as the neo-conservative nuts at the Hudson Institute screech. Lula da Silva took office only in January 2003, and China and Brazil established diplomatic relations in 1974. Relations began to take off in a big way in the 1990s, typified by the 14-year-old Chinese-Brazilian Earth Resources Satellite (CBERS) project, under which two satellites have already been launched. In 2003, trade between the two countries reached

just under \$8 billion, a sum eight times greater than a decade before.

Relations with China, as with other leading developing sector nations, are viewed as more than mere trade deals by the Lula government. Under the leadership of Itamaraty, as Brazil's Foreign Ministry is known, the Lula government set out to build alliances with every region in the world, to the purpose of creating what Brazilians call a "new political and commercial geography in the world." Cooperation between developing sector nations stands at the center of that policy.

Thus far, Lula's government has made no attempt to challenge the premises of the financier-run world order of globalization, insisting, rather, that the emerging "new geography" serve to gain Brazil and other developing sector nations a better stateroom on a sinking Titanic. Under that policy, Brazil has fully complied with the International Monetary Fund's austerity program, the which has reduced its economy to near-rubble, and created the greatest social crisis in its history as a result, while Brazil's international financial obligations have only grown bigger. For all its playing by the rules, international financiers are now gunning for Brazil, in the same way they assaulted its neighbor and ally, Argentina.

As globalization's imperial system disintegrates, the Lula government's newly-forged alliances, built upon the principle that all nations have an inalienable right to advanced development for their peoples, may provide useful vehicles for the founding of the New Bretton Woods agreements needed to re-establish global economic growth.

In his 18 months in office, Lula has traveled not only to the United States and Europe, but to Africa and the Arab world. Two efforts are given the highest priority: The first lies in Brazil's efforts to expand the Common Market of the South (Mercosur), initially joining Argentina, Brazil, Paraguay, and Uruguay, into a single South American community of nations.

The most ambitious achievement of the Lula government's strategy, thus far, has been the founding in June 2003 of a new "Group of Three," which established regular political consultation between India, Brazil, and South Africa, nations which see themselves as leading representatives of each of the continents of South America, Asia and Africa, respectively.

Brazil, from the outset, made clear it would like to see the group expand into a Group of Five, through the addition of China and Russia. That project has yet to be realized, but neither has it been ruled out, President Lula made clear in his May 26 Shanghai press conference. "We dream that in a very near future, it can become a G-5, in which China and Russia are included. All this is something which has to be worked on very carefully, because a word . . . could create obstacles," Lula explained.

## Doing What the U.S. Used to Do: Building!

Only a certifiable lunatic could view the economic cooperation underway between China and Brazil as a threat to the United States. The United States was founded upon the principle that the economic development of any nation is to the benefit of all. As Henry Carey so eloquently wrote in his famous pamphlet, *The Harmony of Interests*, the system which we are proud to call the American system, rejects the English system that “looks to pauperism, ignorance, depopulation, and barbarism.” Our’s is a system which looks “to raising the standard of man throughout the world to our level . . . to increasing wealth, comfort, intelligence, combination of action, and civilization.” Adopting the Malthusian world outlook of the British system for the last 40 years, with its fanatical obsession with “making a buck” at everyone else’s expense, the United States has only itself to blame for missing out on the great opportunities opened by the development of such nations as China and Brazil.

Brazil sees participation in China’s economic expansion as an opportunity for Brazil, and its neighbors, too, to begin to produce again. As President Lula told China’s *People’s Daily* in a May 26 interview: “Brazil and Latin American countries are not worried about China’s rapid economic development. I can say on behalf of the Mercosur countries that we hope for China’s economic growth, hoping that China can import more products from Mercosur, and that China would export more products to the aforesaid market. The relatively balanced trade relations and development between China and the Southern Common Market will facilitate the economic development of both sides.”

The economic accords reached between China and Brazil range from an expansion of the two nations’ joint space program, to giant mineral extraction projects. A joint venture between the two state oil companies, Petrobras and China Petroleum & Chemical Corp. (Sinopec), is projected to boost Petrobras’s oil exports to China almost three-fold this year, to 14 million barrels. Brazil’s giant mining company, Companhia Vale do Rio Doce (CVRD), signed an agreement to invest in two Chinese coal-mining companies. The China Baosteel Group agreed to invest in CVRD’s construction of a new steel mill in São Luis, in the poor northeastern state of Maranhao, while CVRD and Aluminum Corp. of China, will explore the possibility of constructing an alumina plant in Brazil, projected to produce 1.8 million tons of alumina by 2007, half of which would be exported to China.

Still under discussion is a long-term “food for infrastructure” agreement, which Brazilian Agriculture Minister Roberto Rodrigues proposed to Chinese officials in November 2003. Over the next 20 years, China will face the greatest rural exodus ever known, as nearly 350 million people—“almost two Brazils”—leave China’s countryside for its cities, Rodrigues explained. The expansion of its urban cen-

ters will require greater water usage, straining China’s water resources for agricultural irrigation. Brazil, whose agricultural frontiers are still expanding, can help supply China with some of the food which this will require, in return for which, China could help solve one of the biggest bottlenecks for developing Brazil’s economy, by investing in Brazil’s delapidated infrastructure, particularly its ports and railways.

The Chinese “are very interested in the matter,” but asked for more time to study all aspects of such a broad arrangement, before signing the proposed bilateral agreement, Rodrigues reported.

The greatest potential for generating economic growth in both countries, however, lies in cooperation on projects which extend the frontiers of human knowledge. As Lula told *People’s Daily*, “Brazil is not content with exporting raw material and minerals to China,” but hopes “to increase trade between the two countries in high-tech and high value-added products.” Here, the most exciting announcement from the trip was the report that Brazil and China are exploring the possibilities of broadening cooperation on the peaceful uses of nuclear energy. The areas discussed ranged from the use of radioisotopes for medical and agricultural purposes, to Chinese interest in purchasing unprocessed uranium from Brazil, and in learning more about the unique uranium enrichment process which Brazilian scientists have developed. Brazil, for its part, expressed interest to participating in the planned construction of 11 nuclear plants in China, four of them in the short term.

Brazil, which has the sixth-largest uranium reserves in the world, has never sold uranium to other countries, Brazilian Science and Technology Minister Eduardo Campos reported. “But we can discuss the hypothesis of selling our uranium to the degree that makes the industrial-scale production of enriched uranium viable.” Brazil needs to find ways to finance its nuclear program, for if the pattern of investments of the last 10-15 years continues, the program will not be viable, he explained.

The decision to move ahead in this area will require great political will, as the mere raising of such cooperation sent both the anti-nuclear and anti-China nuts into high orbit, and, according to *Folha de São Paulo*, provoked an “unofficial” reaction from the Bush Administration. Any decision will only be taken, after an ongoing review of Brazil’s entire nuclear program has been completed by August, Brazilian officials report.

President Lula declared, in a departure from a prepared speech on the last day of his visit, that there is no reversing the alliance between China and Brazil. There are many working against it, but there are many working for it, as well, he said. “I leave China with the certainty that we have done an extraordinary job. But we will only reach perfection when we have technological partnerships which drive us towards growth.”

## Keeping ‘the Gun On the Wall’

by Roman Bessonov

*“Southwest Asia is to be recognized as bounded by four principal states, whose appropriate cooperation is indispensable for creating a zone of stability among the nations and peoples of the region as a whole. These are Turkey, Syria, Iran, and Egypt. The security of the northeast corner of the region so defined, depends on protecting its flank, by ensuring non-interference from outside interests, that by the exclusion of meddling outside parties from intrusion into current discussions on cooperation among Armenia, Azerbaijan, and Iran.”—Lyndon LaRouche, in “Southwest Asia: The LaRouche Doctrine” (EIR, April 30).*

*We continue our reports on the northeast corner of Southwest Asia, with Russian analyst Roman Bessonov’s look at developments in the Transcaucasus.*

The playwright Anton Chekhov taught that if a gun is hanging on the wall in the first act of a play, by the last act it will have been fired.

In certain areas of the world, it is traditional to have a real gun on the wall at home. In the former Soviet Union, such is the custom in the same regions where division of the Soviet heritage has cost rivers of blood and tens of thousands of human lives. Now, thirteen years after the disintegration of the U.S.S.R., the governments and agencies which regard themselves as the winners of the Cold War, think nothing of using the bleeding memories of the peoples of those territories for “strategic purposes” related to the new world warfare officially labeled as “the war against terrorism.”

### The Curse of Oil

In a recent interview with Voice of Russia, former U.S. Assistant Secretary of State Stephen Sestanovich declared that U.S.-Russian relations are impeded by the Cold War mind-set of top Russian politicians, whom he diplomatically did not mention by name. Not being a professional diplomat, I’ll mention some names that likely are not familiar to Sestanovich—not the proverbial Liberal Democratic Party chief Vladimir Zhirinovskiy, or Communist Party leader Gennadi Zyuganov; not the “nationalist” Dmitri Rogozin or State Duma Security Committee chairman Konstantin Kosachev, who frequently appear on TV. I’ll mention people from the once large and energetic community of democratic idealists,

who were recruited into public policy and the mass media during the romantic and naive dawn of Russian democracy in 1989-1991. Take Valeri Tishkov, minister of ethnic relations in President Boris Yeltsin’s first cabinet, a highly professional scholar who had never been involved in politics or government before. In 1991-93, he honestly tried to reach compromises between the Armenians and Azerbaijanis, between the Ossetians and the Ingushi, between the Moldovans and the breakaway territory of Transdniestria. In 1997, his revelations in a retrospective article in *Nezavisimaya Gazeta* were not romantic at all. They were bitter and indignant. He wrote that concern over human rights on the part of Western strategic circles, involved in diplomatic and consulting work across the former U.S.S.R., was nothing but a cover for plans for the complete fragmentation of Russia. As an example, he mentioned Paul Goble, a former U.S. State Department official and later director of the Radio Liberty/Radio Free Europe broadcasting and analysis center.

A number of journalists of the young, post-Soviet generation experienced a similar, spectacular change of mind. In the Summer of 1993, in the editorial offices of the post-Komsomol (Young Communist League) newspaper *Smena*, I found its deputy editor, Vladlen Chertinov, engaged in an unusual occupation: Instead of writing some new encouraging report about the progressive Mayor of St. Petersburg Anatoli Sobchak, he was studying a map of the Caspian Sea Basin. Turning to me, he said, “You see, it seems to me that what is called democracy, is mostly a restitution.” “Of what?” I asked. “Of interests. Once, it was British Oil. Now, it is British Petroleum.”

A year later, a Russian military contingent, part of the once powerful Soviet Army, intervened in the breakaway southern Russian province of Chechnya and encountered stiff resistance from paramilitary units, armed with Soviet weapons generously bequeathed to them by Soviet generals. That intervention was occasioned not by motives of anti-terrorism, but by oil. Prime Minister Victor Chernomyrdin’s government was told by the Baku, Azerbaijan-based, and BP-dominated consortium for the development of Caspian offshore oil, that the only obstacle to the most convenient pipeline route from Baku to Novorossiysk, was the unstable regime in Chechnya—unrecognized, but effectively independent at that time. The premier believed it would be just a technical adjustment to replace the Chechen leader, Jokhar Dudayev, with some convenient Moscow bureaucrat. That adjustment cost thousands of lives and wreaked immense destruction on the region’s infrastructure and the rest of its economy, not to mention doing irreparable damage to the international and domestic authority of the Kremlin.

Around that time, a friend of mine in Ukraine showed me a number of graphs he had copied in some government office in Kiev, which illustrated with convincing columns and circles, the advantages of building a pipeline from Odessa on Ukraine’s Black Sea coast to Brody near the Polish border

FIGURE 1

**Southwest Asia and Transcaucasus**



*In the Southwest Asia region, neighbors of Iraq are key to an arrangement to get U.S. forces out quickly; but so is peace in Transcaucasus, “the northeast corner of Southwest Asia,” which requires ending the destabilizations of Georgia, Armenia, Azerbaijan and their relations to Iran and Turkey.*

(and near Soviet-era export pipeline terminals for oil and natural gas sold to Western Europe), in order to deliver fabulous quantities of Caspian oil to Europe, bypassing Russia and thus establishing the “energy independence” of Ukraine. My friend did not know—as Kiev propaganda was not supposed to tell him—that similar illusions were being spawned, at the same time, in Romania—playing its government against Ukraine, luckily without bloody consequences—and Bulgaria. All three governments were being lured by the same agency—British Petroleum—and with the same bait: riches from Caspian oil.

This information poison was spread not only in the former Comecon member countries, while their real economies were falling into ruins. It even reached desolate mountain villages in Dagestan—in southern Russia, east of Chechnya and north of Azerbaijan. There, amid the criminalized economy of the North Caucasus, the semi-literate Magomed Tagayev, who in childhood had written leaflets in memory of Iosif Stalin, penned a theoretical justification of a terrorist struggle against despised Moscow, “which is owned not by the Russians but by Zionists.” The free Caucasus Confederation dreamed of by this future head of the Rebellious Army of the Imam would, of course, gain access to Caspian oil. And that oil would be shipped not through the Russian port of Novorossiysk, but directly to the West—apparently, through Georgia. Tagayev had a soft spot for certain liberal politicians even in hated Russia, those who had made “self-determination” of the

North Caucasus republics their cause, but his favorite personality was the Chechen warlord Shamil Basayev, whom he compared—thus exposing the core of his naive leftist view of the world—to Fidel Castro.

Today, Magomed Tagayev is in jail in Makhachkala, Dagestan. Basayev is at large in Chechnya, sought by Russian forces in connection with the May 9 murder of Chechen President Ahmad Kadyrov. And Leonid Kuchma, President of Ukraine, declares: “Forget about Caspian oil. It is even not sufficient to fill one pipeline”—and orders the empty Odessa-to-Brody pipeline to be used for shipping oil from Brody to Odessa, instead.

This option wins support from none other than British Petroleum and its Russian partner, Tyumen Oil Company (BP-TNK), who are eager to ship Urals Blend crude oil from Russian oilfields to Brody terminal, thence to Odessa and by tanker through the Straits into the Mediterranean.

And no BP official is about to repent for the thousands of perished and millions of homeless people, sacrificed to the non-existent miracle that once blurred the vision of the late President Geidar Aliyev in Baku, former President Leonid Kravchuk in Kiev, Victor Chernomyrdin in Moscow, and Magomed Tagayev in the village of Ansalta, Daghestan. Why repent, if the strategic objective has been achieved? Millions of people despise Moscow, Moscow does not trust Kiev, and Baku hates Yerevan. Isn't this harvest of evil fine for geopoliticians like Zbigniew Brzezinski, a consultant for BP-

FIGURE 2

**Transcaucasia**



Amoco? If his thinking is not Cold War thinking, is it something even worse?

Not only his. Under the George W. Bush Administration, casting “the oil curse” has been the job not so much of theoretician and businessman Brzezinski, as of a practical purveyor of his designs—State Department official Stephen Mann, as Ambassador for Caspian Basin Energy Development in 2001-2003, then co-chairman of the Minsk Group on Nagorno-Karabakh since March 2003. This person is as great an instrument of foreign meddling in the region, as are the international agencies behind the assassination of Kadyrov in Chechnya. During his Caspian assignment, Mann made his contribution to keeping the ownership status of the Caspian Sea unresolved, by sowing discord among the littoral nations with such interventions as lobbying Kazakstan’s leaders to help bypass Iran in the construction of new pipelines in the area.

**The Smell Of Drugs**

In 1991, Abulfaz Elchibey, head of the Azeri Popular Front and newly elected President of Azerbaijan, declared that the road to Shusha—a town in the district of Nagorno-Karabakh, claimed by Armenia—runs through Tabriz, Iran. Accordingly, crowds of people destroyed customs posts on the Azerbaijani-Iranian border, which became an open window for all kinds of illegal trade over a period of many months, and a lever for destabilizing Iran through the idea of Greater Azerbaijan. Northern Iran, where Tabriz is located, is populated by ethnic Azeris.

This chapter in the history of the Republic of Azerbaijan is little noted by the Baku media today, when current President Ilham Aliyev raises the issue of drugs as grounds for interna-

tional economic sanctions against Armenian-run Karabakh.

Nor did the pro-democracy world community care much for the subject, during the period when Azerbaijan’s southern border was “democratically” opened. Young democratic leaders like Elchibey, Zviad Gamsakhurdia in Georgia, St. Petersburg Mayor Anatoli Sobchak, or Dudayev were allowed to play all sorts of games on the territory of the former empire—regardless of the consequences. The secession of Nagorno-Karabakh from Azerbaijan and Abkhazia from Georgia even won enthusiastic support from “Christianity-concerned” lords and ladies in London—residing next door to “Islam-concerned” lords and ladies, and both of them next door to the lobbyists for British Petroleum and related interests.

But these days, leaders of the “anti-terrorist coalition” are suddenly, ostentatiously concerned about these areas: Karabakh, Abkhazia, and Transdnister—especially Karabakh. This tiny mountainous territory has

even merited personal attention from U.S. Secretary of Defense Donald Rumsfeld, who during his March 2004 visit to Baku, declared that the problem of Karabakh should be solved by the so-called “step-by-step” approach. This means that first, Armenia should pull back military forces from Karabakh and the corridor connecting it to the rest of Armenia; then territorial negotiations might follow. Armenian sources emphasize that at least twice in recent years, the issue was nearly solved, but each time, circumstances intervened at the last moment.

The sources’ observation requires elaboration, since what it refers to involves as much cynicism as the above-mentioned Caspian oil fraud. The first attempt to “solve” the problem of Nagorno-Karabakh, in 1997, turned into a political destabilization of Armenia, wherein President Levon Ter-Petrosyan, accused by his close political allies of treason for betraying Armenian interests in Karabakh, was overthrown. The second, October 1999 attempt, involving a lot of diplomacy and timed to the Istanbul summit of the Organization for Security and Cooperation in Europe (OSCE), ended with the resignation of three top officials in Baku and the assassination of four top political figures in Yerevan—including the Prime Minister and the Speaker of the Parliament.

That 1999 “solution,” authored by Paul Goble and brought to Yerevan by U.S. Deputy Secretary of State Secretary Strobe Talbott (who left Yerevan four hours before the shooting in the Armenian Parliament chambers), would have involved a territorial swap between Armenia and Azerbaijan. The disputed territory of Karabakh, with an ethnic Armenian population, was supposed to become a part of the territory of Armenia; in exchange, Baku would have received the Megri

Corridor, giving the main territory of Azerbaijan a direct link to Turkey by connecting it to the geographically separated Azerbaijani region called Nakhichevan, which already has a border with Turkey. The Megri Corridor was supposed to be controlled by an international peacekeeping contingent—to protect the Baku-Ceyhan pipeline; but it was obvious, without spectacles, that the overriding purpose of the design was to isolate Armenia from Iran.

The consequences of the October 1999 massacre in the Armenian Parliament are very much a part of the scene today. Stepan Demirchian, son of assassinated Speaker of the Parliament Karen Demirchian, is a leader of the opposition to President Robert Kocharian. In some mass media, Kocharian, who replaced Ter-Petrosian in 1998, and his ally Defense Minister Serge Sarkisian, are described as the “contractors” of the 1999 assassination. This is one of the major political pretexts for *today’s* political destabilization in Armenia, coinciding with a number of diplomatic, paradiplomatic, criminal, and ostensibly “anticriminal” efforts to revive the Karabakh issue.

Armenia today, like Georgia and Moldova, is among the poorest countries in the world in income per capita. The expense accounts for the delegations of U.S., British and French officials, along with Council of Europe, OSCE, PACE and NATO functionaries who visit Yerevan and Baku one after another, could feed the army of the Armenian unemployed as well as the Azeri refugees—whom the world community suddenly noticed around the same time as the drugs which, according to UN bureaucrats, are being cultivated in the mountains of Karabakh.

## **NATO ‘Surprises’ Pop Up in Azerbaijan**

It is noteworthy that the drug issue was originally raised by Mikhail Saakashvili, whose end-2003 coup d’état in Tbilisi, Georgia was enthusiastically greeted by the progressive world community and who subsequently won the country’s Presidential elections with a 96% vote that any dictator would envy. This Saakashvili, a disciple of drug legalizer George Soros, brought up the issue in connection with the port of Batumi, which he asserted was being used by drug traders. This claim, Saakashvili then used as one major pretext to justify another coup d’état—in Ajaria (Batumi is this region’s capital). Ajarian leader Aslan Abashidze was accused of tyranny and separatism, virtually forced into actually separatist behavior, and ultimately escaped to Moscow in May of this year.

Was the port of Batumi yesterday, and is Karabakh today, used for drug trafficking? Better put the question another way: which post-Soviet location on the route from the East to the West is *not* used for this purpose, when drug cultivation in Afghanistan, thanks to the splendid anti-terrorist efforts of the United States there, has surged by an order of magnitude? Who benefits most from this most lucrative illegal trade—corrupt petty officials along the route of shipment,

or those institutions that benefit from the enormous financial flows?

If the drug issue is so important, who can guarantee that the same Saakashvili, married to a Dutch lady and nurtured by George Soros with his special concern for human rights in Kosovo and the Ferghana Valley of Uzbekistan, will not use all the ports of Georgia for the same purpose? Is the progressive global community going to investigate him, too—or does he belong to a special caste of “professional democrats” above suspicion?

And why, finally, at the very moment when the United Nations Office on Drugs and Crime (UNODC) is in Baku listening to Azeri President Aliyev’s call for international monitoring of drug-trafficking out of Karabakh (UNODC director Antronio Mario Costa visited Baku in December 2003), are NATO facilities being deployed in Azerbaijan? Safar Abiyev, Azerbaijan’s Defense Minister, has openly confessed that the United States needs those “mobile facilities” for the possible use in the Iraq war. “These are not airports, but just infrastructure that could be developed into airports in a short time,” he explained at the recent CIS summit, surprising even the most pro-Western and bellicose journalists from Baku. “When U.S. troops were deployed into Central Asia, that also came a surprise,” Abiyev explained.

Even judging by media reports, it is clear that UNODC representatives, planted in Baku to monitor the situation in Karabakh, would be sniffing not so much for drugs, as for weapons. Since Aslan Abashidze was ousted from Batumi, Russia still sells Armenia weapons for its defense, which creates a black market in the region for spare parts and replacements.

The exchange of territory, Karabakh for the Megri corridor, is now once again being urged on the Armenian leadership, which is under threat of political destabilization, with opposition demonstrations roiling all Spring. The Goble Plan was raised in talks between Presidents Aliyev and Kocharian on the sidelines of a European conference in April, but rejected by Armenia as a basis for negotiations. An Armenian-Azerbaijani media survey in early 2004, funded by George Soros’ Open Society Institute, highlighted “expert” opinions that the Karabakh-Megri swap was a viable option. It suggests the deployment of peacekeeping forces along the Megri Corridor. For what purpose? The notorious Baku-Ceyhan pipeline is now being constructed across Georgia, north of Yerevan and Stepanakert, and does not involve Megri. Thus the only purpose in pushing for foreign forces to be stationed on the Megri Corridor would be the effort of “containing Iran,” the subject of much paranoid attention from the crazy U.S. hawks of Cheney’s team.

## **The Banner Industry**

In a recent interview, Moscow analyst Andranik Migranyan said that according to his knowledge, the transportation lines between Armenia and Turkey will be open by the end

of this year. But Turkey agrees to this only if the Karabakh problem is solved.

Discussions being held under the auspices of “conflictology” institutions are also fixated on this transport route. In particular, the Kettering Foundation organized an academic conclave at the Snegiri health resort in the Moscow region, in the framework of the long-standing Dartmouth Conference—a relic of the oligarchical diplomacy of Bertrand Russell’s circles with Nikita Khrushchov in the 1950s and 1960s.

Today’s private diplomacy around the Caucasus, and a good part of the public crisis-management efforts, threaten the statehood of all the countries involved or potentially

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*This game with fire on a powderkeg is racing ahead before the complacent eyes of the progressive world community, which will later scream with horror at an explosion of regional warfare—though it is really still possible to avert that.*

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affected. On the local level, that is Georgia, Armenia and Azerbaijan, along with the unrecognized but actually existing republics of Nagorno-Karabakh, Abkhazia, and South Ossetia. On the regional and global level: Turkey, Iran and Russia.

Why did George Soros’ protégés need to invent a new flag of Georgia, bearing a design reminiscent of crusaders’ banners? Why was the Georgian Orthodox Church so deeply involved, as well as the militant symbol of St. George? Could it mean that some of the current destabilization scenarios entail “holy war” of a sort?

Why did Mikhail Saakashvili need to reduce Ajaria’s autonomous status? Within the U.S.S.R., its autonomy was preserved in deference to the 1921 agreements between Soviet Russia and Turkey, which received a piece of Armenia’s territory, plus guarantees of autonomy for Ajaria and Nakhichevan. In 1992, Georgia and Turkey reaffirmed the Treaty of Kars, with its customs privileges for Turkish goods passing through Batumi. After a round of U.S.-Turkish and Russian-Georgian diplomacy, Turkey allowed Saakashvili to kick out Abashidze, the Ajarian leader, whose grandfather had been involved in the Treaty of Kars from the Turkish side. And Tbilisi’s intention to renounce the Treaty of Kars naturally irritates Azerbaijan, as it suggests that Turkey will be able to protect Nakhichevan about as well as the Azeris can protect, say, Northern Cyprus. No wonder: some romantic Armenian websites are already raising the issue of re-

claiming Kars and Ardagan, and dreaming of a new Armenian leader “like Saakashvili.”

This game with fire on top of a powderkeg is racing ahead before the complacent eyes of the progressive world community, which will later scream with horror at an explosion of regional warfare—though it is really still possible to avert that, by putting all the cards on the table and calling things by their names. In particular, calling Rumsfeld a criminal, or Sestanovich a liar.

Mikhail Margelov, head of the Foreign Affairs Committee of Russia’s Federation Council, believes that today’s NATO strategists are treating Russia in accordance with an approach that is more than a century old. He means the years preceding World War I, when the Russian Empire was dragged into conflicts in Transcaucasia, as well as the Balkans. We could also refer to earlier times, when Lord Palmerston prepared for war in the Black Sea, organizing insurrections in the North Caucasus and planting agents like Giuseppe Mazzini to brainwash European nations. Saakashvili recently reminded the European Union that his country is the oldest in Europe. Mazzini also liked to refer to pre-Christian times.

### **Corridors For Peace**

It is true that the problem of Karabakh originated in the early 20th Century, though the region, like Ajaria, has a history of a statehood. It is true that Stalin’s July 5, 1921 decision to include Karabakh as an autonomous region in Azerbaijan is of historical significance. In its present form, however, this problem is rather a part of the post-World War II architecture.

The decision to remove the Azeri population from Karabakh was made by the U.S.S.R. Council of Ministers (still “People’s Commissars” at the time) in 1947, on request of the Armenian Communist Party leadership, supported by Politburo member Anastas Mikoyan. The pretext was Turkey’s relationship with Azerbaijan and Turkey’s participation in World War II on the Nazi side. No Russian specialist would say this openly: Too many sensitive issues are involved. Nonetheless, those circumstances, like the similar background of other territorial disputes in Europe, need to be understood and taken into account by people who have the power to prevent the huge explosion of this region, which is being prepared before our eyes—in particular, by the European Union, which is going to play a significant role in the outcome of today’s artificially manipulated crisis. And personally, by Terry Davis, a Briton who heads the Social-Democratic faction of the European Parliament, in case he is elected to the post of Council of Europe General Secretary in June. Some months ago, Davis was appointed rapporteur of the Parliamentary Assembly of the Council of Europe (PACE) on prospects for settling the Karabakh conflict.

After Sept. 11, 2001, Terry Davis warned the coalition partners that antiterrorist operations should not result in hu-

man slaughter. In interviews he gave in Transcaucasia, during his recent PACE mission there, Davis emphasized that solutions should avoid bloodshed—and referred to his own negative attitude to the intervention in Iraq. Such statements are encouraging, though their sincerity is hard to measure, as are the prospects for the Iraq situation itself. It may distract the attention of NATO and relevant agencies from Karabakh, the transport connection between Turkey and Armenia, and the Araks River—one more piece of natural infrastructure involved in plans for a new Armenian-Azerbaijani swap of territory.

The latest developments in the region, related to the use of infrastructure for peaceful purposes, suggest how tensions could eventually calm down—for economic reasons. A May 13 agreement to build an Iran-Armenia gas pipeline; the visit of Iran’s Foreign Minister Kamal Kharrazi to Moscow on May 17; and the subsequent international forum in Moscow, at which Iranian Fuel Minister Gulam Reza Shafei spoke about prospects for cooperation on natural gas transport; all point to how Armenia’s most severe economic problems can be solved in the near future. This would mean that the international “party of war,” which is now trying to buy Armenia’s commitment to the above-described Karabakh-Megri exchange, may lose its leverage.

A trilateral agreement, signed May 20 by the governments of Iran, Azerbaijan and Russia on a Kazvin-Resht-Astara railway link, involves the three countries in productive development, an essential alternative to war, and charts an indirect link between Baku and Yerevan. The failed effort of the Southern Azerbaijani separatists in Iran to impede this effort only proves its strategic significance—not for the particular interests of Iran or Russia, but for the whole area.

A year ago, Russia proposed to build a gas pipeline to Armenia across Georgia. This project was undermined by the forces who brought Mikhail Saakashvili to power—and the Georgians who voted for him will realize sooner or later that their emotions and their despair were very cynically played upon. Yet Georgia does have a good chance to benefit from the same Iran-Armenia gas pipeline, if it makes a choice in favor of the “party of peace.”

Stephen Mann, the promoter of the Baku-Ceyhan pipeline, as well as John Ordway, U.S. Ambassador in Armenia until March 2004, had been pressuring Baku, Tbilisi, Moscow, Ashgabat (Turkmenistan) and Astana (Kazakstan) against any cooperation with Iran. But already during the first discussion in Kazakstan in 2001, its prime minister plainly told Mann that a gas transport link across Iran would be more secure and more feasible than across the seabottom, through Baku to Erzurum, Turkey. If such developments continue, and especially if the European Bank has the guts to promote investment in the Iran-Armenia gas project, the “party of war” will lose most of the irrational “romantic” arguments it is trying to play upon. The regional battle for peace may be decisive on a global level, as it concerns the

major strategic economic and trade links of Eurasia—the potential infrastructure of peace.

Those who take charge of this grand peace effort should listen to decent analysts from all the involved sides, who realize that the issues of unrecognized territories, which emerged out of bloodbaths, can’t be solved in a year, or even within one generation. They also should not forget that as of now, peace in Karabakh rests on the ceasefire agreements signed on May 3-4, 1994, in Bishkek, Kyrgyzstan, on the initiative of the defense ministers (not foreign ministers!) of Russia, Armenia, Azerbaijan, and Karabakh. This agreement much displeased then-Russian Foreign Minister Andrei Kozyrev, who today is involved in the Dartmouth conferences, but he couldn’t do anything about it. When foreign ministries become dysfunctional due to a Freemasonic or related international, anti-national disease, responsibility can be taken by persons with experience of warfare, who know the cost of blood and wish to avoid more. This is one more lesson of history which should be put on the table by those who have a moral and strategic right to destroy the war machine prepared along the borders of Transcaucasia, Turkey and Iran.

So, the guns should still hang on the wall—for the purpose of protecting those brave persons who challenge the evil across the inflamed territory of the Caucasus and Southwest Asia, but not for use by peoples against one another.

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# How London, Wall Street Backed Japan's War Against China and Sun Yat Sen

by Mike Billington

During the same period that Mussolini and his Fascists were brought to power in Italy—the first of a series of synarchist regimes which took power across much of Europe in the 1920s and 30s—the British imperial architects of this process were also at work in Asia. The bankers controlling the Versailles Conference of 1919, rather than establishing peace after World War I, imposed a regime of financial looting across Europe and Asia, which rapidly created conditions conducive to the emergence of Bonapartist tyrannies backed by those same bankers, and thus set in motion the horrors of 20th Century fascism and the conflicts which became World War II.

The British needed the United States to bail them out of the bloody hell they had created in the Great War, but after that war, they did not intend to allow any American-style republican governments to arise in Europe or Asia, to threaten neither their hegemony in the former, nor their colonial domination in the latter. Sun Yat Sen<sup>1</sup> was the name of their primary problem in Asia. Sun, who had led the republican revolution in China in 1911, had failed to consolidate that revolution. But he was leading a government in the south of China at the end of World War I, in opposition to both the regime in Peking, and the various warlord-led autonomous governments (which had Western backing) in much of the rest of the country. Sun represented a powerful republican force in Asia, dedicated to bringing China out of the century-long colonial subversion at the hands of the British East India Company's private armies, drug dealers, and bankers. He used methods drawn from both Chinese antiquity, and the American System of political economy, mastered through an education in Hawaii at the hands of leading figures of that tradition.<sup>2</sup>

Against this threat to their Empire, British synarchist banking interests, centered around Bank of England head Montagu Norman, Hongkong and Shanghai Bank director

Sir Charles Addis, and J.P. Morgan chief executive Thomas Lamont, deployed militarily and politically to destroy Sun Yat Sen and his influence. The British feared that American cooperation with Sun could break the power of European colonial policy in China, or even establish a republican center in Asia. As we shall demonstrate here, when their subversion and looting failed to crush Sun's republican movement, the British threw their weight behind the synarchist/fascist forces in Japan, financing the Japanese military occupation of the Chinese mainland.

The British, and their J.P. Morgan allies, had been battling Sun Yat Sen for years before the 1919 Versailles Conference. They had intervened after the 1911 Revolution, promoting various forms of dictatorship, monarchical restoration, and regional warlordism, to drive Sun and his Kuomintang (KMT—or, "Nationalist Party") out of Peking, and, if possible, to kill him. However, when China was betrayed to Japan at Versailles (*as Sun Yat Sen had warned it would be*), a surge of nationalism threatened to sweep Sun and his KMT into power, while also giving rise to the Chinese Communist Party. Thomas Lamont and Sir Charles Addis soon determined that Japanese control of China would be more secure for the synarchist international, and commenced with direct sponsorship of the Japanese occupation, thus launching World War II.

As with the British sponsorship of Hitler's rise to power, the British would pay a steep price for their folly, and the world would only survive due to the American intervention under Franklin Roosevelt.

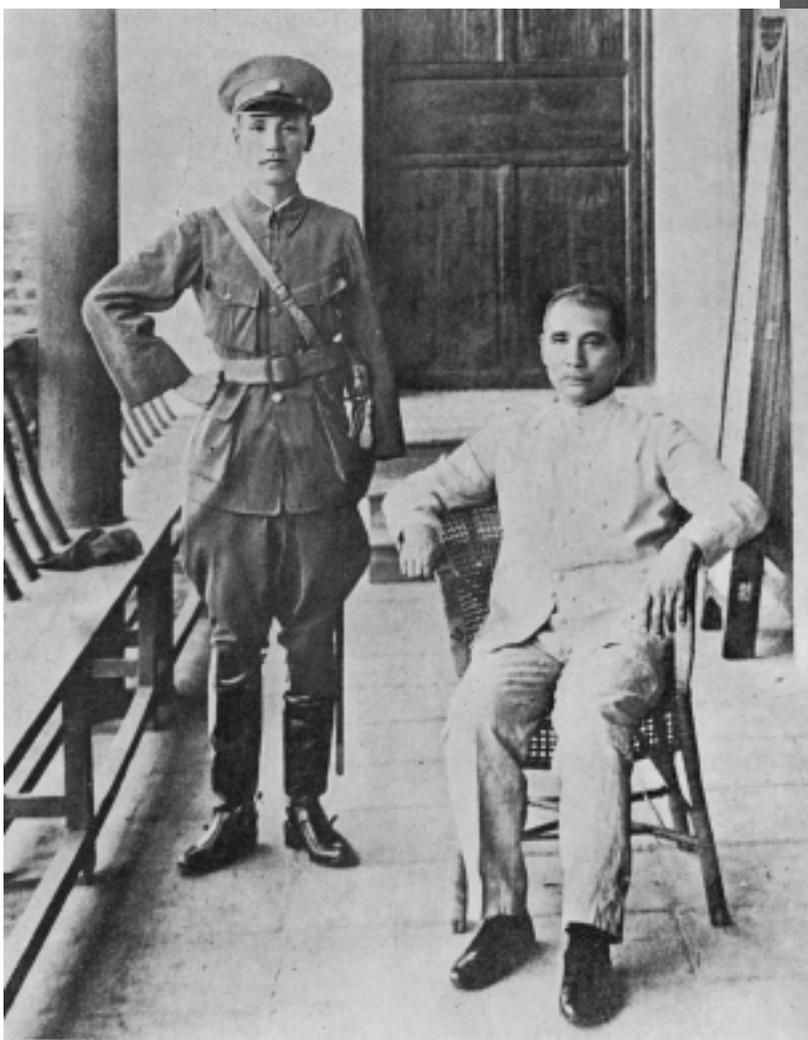
## Sun vs. Liang Chi-chao

Before presenting the details of the roles played by Lamont and Addis in this perverse drama, I will provide some background on the synarchy's ideological battle against republican principles within China, from the late 1890s through the 1911 Republican Revolution in China, and World War I. Just as Sun Yat Sen was directly educated, and inspired, by the republican principles of the American Revolution, so his main antagonist within the reform movement, Chinese philosopher and political activist Liang Chi-chao, was a creature of

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1. I have used the transliterations of Chinese names most commonly used in the early 20th Century, rather than the currently used Pin Yin.

2. Mark Calney, "Sun Yat-Sen and the American Roots of China's Republican Movement," *American Almanac, New Federalist*, January 1990.



*Deadly adversaries: At left is modern China's founder, Dr. Sun Yat Sen (seated) with his successor Gen. Chiang Kai-shek in 1918. Sun's nationalist, "American System" revolution was the prime target of Japan's post-WWI looting war on China. It was also the target of J.P. Morgan international fascist banker Thomas Lamont, shown here being honored by fellow synarchist Henry Luce's Time on Nov. 11, 1929. Lamont enthusiastically supported and funded Japan up to a few years before Pearl Harbor, including Japan's occupation in China, and ran a virtual embargo of international credit to Nationalist China.*

the European synarchy. Since synarchism arose as a synthetic ideology to combat the spirit and practice of the American Revolution, especially in Europe, it is lawful that Sun and Liang would emerge as the opposite poles among those promoting change in China in the last days of the Ching Dynasty.

While Sun was organizing a revolutionary movement in the 1890s—to overthrow the Ching (Manchu) dynasty and aim at building a republic on the American model—Liang was collaborating with the leading reformer of the day, Kang You-wei. Kang had won the ear of the young Emperor Kuang Hsu, organizing him to declare a series of reforms (known as the 100 Days Reform of 1898), but without challenging either the Imperial form of government, nor the semi-colonial status of China under the European powers' "spheres of influences." The Ching court and the military soon cracked down on the young Emperor and his reform-minded friends. The Empress Dowager Tz'u Hsi placed her son under a form of house arrest, and ruled in his stead. Liang Chi-Chao fled to Japan, where

he spent most of the first decade of the 20th Century. There, both he and Sun Yat Sen, in exile as a result of his role in several armed uprisings in the south of China, established separate organizations, competing for the support of the Chinese exile community in Japan and elsewhere.

This conflict between Liang and Sun became the centerpiece of the debate among young Chinese over the fate of China. Sun and his followers published a journal called *Min Bao* (*The People's Journal*); while Liang had his own journal, called *New Citizen*. The two journals were read by Chinese around the world. *Min Bao* promoted the overthrow of the dynastic system and the building of a republic, while *New Citizen* preached reform under a constitutional monarchy; *Min Bao* promoted Sun Yat Sen's Three Principles of the People, based on Abraham Lincoln's concept of government of, by, and for the people; while *New Citizen* called for enlightened absolutism as the only alternative to anarchy; *Min Bao's* first issue carried pictures of the Yellow Emperor (the

revered Chinese Emperor of antiquity) and George Washington; while the *New Citizen* pictured Napoleon and Bismarck.

Liang's ideological evolution directly parallels the synarchist movement of the 18th and 19th Centuries. He began as a student of Giuseppe Mazzini, praising the British asset Mazzini as a prophet and the principal theorist and ideologue of patriotic movements in Europe. Liang translated Mazzini's works, and in 1900 wrote an essay called "Ode to Young China," seeing himself as the Chinese spokesman for the Young Europe movement created by Mazzini (which was in fact British Lord Palmerston's operation to prevent any influence of the American Revolution from spreading in Europe).

Like Mazzini, Liang admired, above all others, the British Parliamentary system and the Anglo-Saxon race ("a race greatly endowed with the spirit of independence and self-reliance—the Chinese must learn from the Anglo-Saxons.")<sup>3</sup> He compared the British Prime Minister to the ephor of Sparta in ancient Greece (Liang's history of Sparta and Athens turned Friedrich Schiller on his head, praising Sparta's superiority to Athens for its discipline and order).

Liang then stepped back in time to the French Revolution, which became the subject of his admiration in numerous essays. Over time, he came to question the mass killing of the Jacobins, but, like the synarchists who orchestrated the process, he transferred his admiration to the right-wing dictatorship of Napoleon. This then led him to the *Staatsrecht* school of the Swiss jurist Johann Kaspar Bluntschli. Liang quoted Bluntschli in his polemics against Sun Yat Sen, arguing, in an essay entitled "On Enlightened Absolutism"—in lockstep with synarchist theory—that the opposite of absolutism is not democracy or republicanism, but anarchy, and that revolution can lead only to dictatorship, not to a republic. He compared the school of Legalism in ancient China to the absolutism he so admired in Napoleon and Bluntschli—and on this, Liang was correct, in that the Legalist School was the fascist order of that day. It gave rise to the tyranny of the Ch'in Dynasty (221-206 BC), which burned the Confucian texts and buried Confucian scholars alive, setting China back for more than a millenium until the Sung Dynasty Confucian renaissance of the 10th and 11th Centuries.<sup>4</sup>

Liang traveled to the United States in 1903, sponsored by the Protect the Emperor Society. While primarily addressing the Chinese communities in the United States and Canada, he also met with President Theodore Roosevelt and J.P. Morgan. While he was duly impressed by these august spokesmen for the anti-American synarchy in the United States, his view of the Chinese was more cynical: "The Chinese people have to accept authoritarian rule for now,

and do not merit liberty." He said that many Chinese were "drunk on republicanism," but that he had "returned from America to dream of Russia."

Perhaps the most revealing aspect of Liang Chi-chao's work was his sponsorship of a new writing style, which demonstrates his failure to grasp the fundamentals of the creative process. Liang followed Aristotle in describing scientific thinking as a process of syllogistic formulations, and followed Hobbes in virtually outlawing metaphor. In his essay "On Enlightened Absolutism," Liang described his new style as "strict and forthright logical argumentation, dual application of induction and deduction, without daring a word of subjective fancy." He warned that the greatest danger is emotionalism, and complained that "there can be found no spirit of scientific investigation, but only emotional

## Sun's 'American' Economic System

Dr. Sun Yat Sen, the father of the Chinese Republic, based his fundamental principles, known as the "Three Principles of the People," on the concept presented by Abraham Lincoln in his Gettysburg Address: "government of the people, by the people, and for the people," an historical connection which Dr. Sun never failed proudly to present to any audience. In fact, he considered this concept to connect his view of a world truly governed by both Christian morality and reason, to the profound truths of the Confucian tradition which had governed China for 3,000 years.

Sun gave primary credit for the successful development of the United States to the work of Alexander Hamilton, both as the head of the Federalist fight for a Constitution, and in his economic policies. He believed that responsibility rested with the government for the development of the physical infrastructure and the creation of a credit system necessary for successful agricultural and industrial progress. The success of such a system had proven itself in the progress of the United States.

Himself a Christian, Dr. Sun shared the Renaissance view of the American Founding Fathers, whose works he read during his youth, when he left his home in southern China to study in Hawaii with American missionaries. He attacked equally the two dominant systems that had developed in opposition to the American system: the free trade model of Adam Smith, and the Marxist model of class warfare. Sun had the "advantage" of having seen the massive death and destruction imposed upon his nation over the previous century by the British under the banner of

3. Tang Xiaobing, *Global Space and the Nationalist Discourse of Modernity: The Historical Thinking of Liang Qichao*, 1996.

4. see Michael Billington, "The European Enlightenment and the Middle Kingdom," *Fidelio*, Summer 1995.

spontaneity among the educated in our country.” His hatred of actual science gushed forth in his polemics against Sun Yat Sen, whom he ridiculed for “dreaming of republicanism, just as he dreamed of importing trains and ships.”

### **Revolution and J.P. Morgan**

Sun Yat Sen’s revolutionary movement came to power in 1911, and Sun Yat Sen was proclaimed the first President of the Republic. However, despite forcing the abdication of the Imperial Court in Peking, the revolution had seized actual power only in the South. Sun did not want to engage in battle with the core of the imperial army, which remained largely intact under Imperial General Yuan Shi-kai. In a calculated move to avoid further civil war while preserving the Republic, Sun agreed to step down from the presidency in favor of

Yuan Shi-kai, with the agreement that Yuan would honor the Republic and its laws. Sun took the position as head of the National Railroad Bureau, to pursue the development of the “International Development of China,” as he would later call his program.

The calculated risk failed, as Yuan Shi-kai rapidly transposed his reign into a dictatorship (and even restored the monarchy for a brief period before his death in 1916). Sun and the KMT were driven out of the government and the legislature. By 1913, Sun had established a counter-government in the South of China—it would be another 15 years before the nation would finally be unified under Sun’s KMT. Liang Chi-chao, on the other hand, was welcomed into Yuan’s government in Peking, where he held a series of cabinet posts, including those of justice, finance, and state counselor.

“free trade,” and thus appreciated Hamilton’s repeated warnings that such free trade arguments were simply a ruse for colonial economic domination and looting. Hamilton, said Sun, was concerned about “liberty and equality pushed to excess,” and “founded the Federalist Party which advocated the centralization and not the diffusion of sovereign power.” He described the U.S. Constitution as “the first complete constitution in human history,” and adopted the policy of strong centralized government with a separation of powers in his own proposed Constitution for the struggling Chinese Republic.

### **‘A Sheet of Loose Sand’**

In his highly developed programmatic proposals for the *International Development of China* written in 1919—using the vision of the expansion in the western U.S. as a guide—Sun mapped out the criss-crossing of the vast Chinese interior with railroads, while dams across the great river systems would provide power and eliminate the massive death and destruction of recurring floods. Sun reflected the Hamiltonian rejection of Adam Smith’s free trade dogma: “All matters that can be and are better carried out by private enterprise should be left to private hands, which should be encouraged and fully protected by liberal laws. . . . All matters that can not be taken up by private concerns and those that possess monopolistic character should be taken up as national undertakings.” He added that the unbridled competition of the Adam Smith school had proven to be “a very wasteful and ruinous system. . . . It has been discovered by post-Darwinian philosophers that the primary force of human evolution is cooperation, and not struggle as that of the animal world. . . . If we still retain the custom of free competition or *laissez-faire*, it will be like encouraging a lame man to contend with an automobile in a race.”

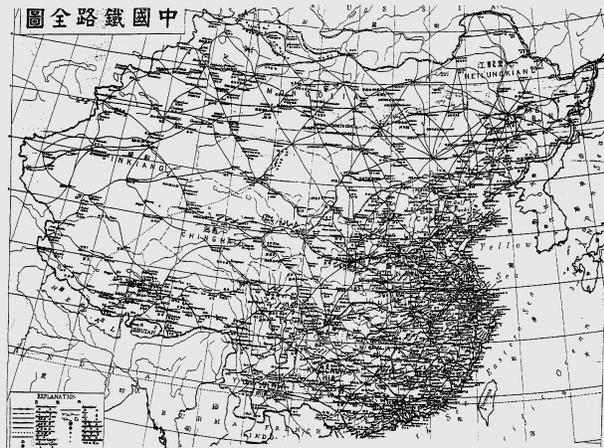
Sun studied the heated debates by Hamilton and his collaborators with the spokesmen for “pure democracy” and libertarianism. He attacked Thomas Jefferson for accepting libertarian arguments from J.S. Mill, Rousseau, and others. The application of Mill’s “extreme liberty for the individual” would create a society that is like “a sheet of loose sand,” said Dr. Sun. He praised the U.S. for following the Hamilton model, while pointing out that libertarian “pure democracy” had seized control of the French Revolution. In a haunting passage, almost a premonition of the Cultural Revolution 50 years later, Sun describes the French Revolution: “No one in the country dared to say that ‘the people’ did not have intelligence and power; if one did he would be accused of being a counter-revolutionist and immediately brought to the guillotine. The result was that a mob tyranny was instituted. Anarchy followed, society was panic-stricken, no one was sure of his life from morning till evening. Even a member of the revolutionary party might, because of a careless word which offended the multitude, be sentenced to death.”

### **Class War ‘Disease’**

This “tyranny of the mob,” like the bestial Darwinian notion of “survival of the fittest,” could only lead to a false materialist sense of reality and to the collapse of society, Sun warned. “From ancient times until now, man has exerted his energies in order to maintain his existence. And mankind’s struggle for continuous existence has been the reason for society’s unceasing development, the law of social progress. Class war is not the cause of social progress, it is a disease developed in the course of social progress.” Marx thus knew nothing of the real process of social progress, concluded Dr. Sun: “Marx can only be called a social pathologist, not a social physiologist.”

—Mike Billington

## The American System and Dr. Sun Yat Sun



*Dr. Sun's plan for China's development: an integrated system of railways, water projects, and other infrastructure programs.*

### 中國存亡問題

孫文

*Right: Schiller Institute edition of Dr. Sun Yat Sen's The Vital Problem of China.*



With this background, the focus shifts to the synarchist designs to subvert the new Chinese republic. China had been under increasing British domination (although never fully colonized) since the Opium Wars beginning in the 1840s, with other European powers granted “spheres of influence” in and around China, although the overall process remained under British control. In 1895, Japan joined the game, defeating China in a war over influence in Korea. Japan colonized Korea, and adopted Manchuria and Inner Mongolia as its sphere of influence in China. In the process, Japan also established a special relationship with the British, in league with several allied New York banking houses. Kuhn Loeb's Jacob Schiff, for instance, was issued a Japanese Royal Order for his role in financing Japan's war with Russia in 1905, a war fought in part over areas of control within China.

The House of Morgan, functioning as an arm of British imperial policy within the United States, first became seriously involved with the formation of a bankers' Consortium for China, in 1909, consisting of banking interests from the United States, Britain, France, and Germany. The British, under Hongkong and Shanghai Bank chief Sir Charles Addis, took overall direction of the Consortium, with a J.P. Morgan representative leading the American Group. Although the Consortium did finance a Shanghai-to-Canton rail line, their primary task was to prop up the decayed Ching dynasty against the mounting republican revolutionary pressure.

When President Woodrow Wilson took office in 1913, one of his first acts was to pull the United States out of the Consortium, labeling it a tool of imperial policy interests in China. Wilson appointed Professor Paul Reinsch as United States emissary to China. Reinsch was the leading China scholar of the day, and a co-founder with Wilson of the American Political Science Association. Reinsch came from the circles of Robert LaFollete in Wisconsin, and, although inexperienced in diplomacy, or in dealing with colonialist and synarchist machinations, he believed in America's dedication to nation building, through its leadership in science and industry, as the necessary basis to end the colonial exploitation of China, and to help build a modern and prosperous sovereign state. He embraced the Open Door policy first put forward by John Hay, Secretary of State in the McKinley Administration in 1899, as a means of breaking the colonial spheres of interest which divided China. Reinsch's student, Stanley Hornbeck, would serve the same cause from within the State Department over the next decade.

Reinsch negotiated contracts for literally dozens of great projects in China between 1913 and 1919. These included a massive flood control and irrigation project called the Huai River Conservancy; a national plan to unify the rail system and add 10,000 miles of rail lines over 20 years; a military and commercial shipbuilding project with Bethlehem Steel; oil exploration with Standard Oil; reconstruction of the Grand Canal; several agricultural programs; and more. Unfortu-

nately, all but a few of these projects never came to fruition.<sup>5</sup>

Reinsch never overcame (or even understood) the power of the synarchy over global finance. The beginning of World War in August 1914 shifted available funds and priorities away from Asia, undermining development—but just as deadly to Reinsch's plans was the continued sabotage from the British and from J.P. Morgan's Wall Street; from the Japanese and their western banking supporters; and, eventually, the sell-out of China by his friend in the White House, Woodrow Wilson.

Reinsch arrived in China in the wake of President Yuan Shi-kai's expulsion of Sun Yat Sen's KMT from the Parliament in 1913. Reinsch, as expected of a United States diplomat, supported Yuan's government in Peking, but he was committed to the unification of the nation, offering American contributions towards national infrastructure development, north and south.

Furthermore, Reinsch took measures to implement Sun's railroad development plans. During 1912, while Sun served in Yuan's government as head of the National Railroad Bureau, he had developed a plan for a unified rail system for China, published several years later as the center-piece of his *The International Development of China*. The proposal aimed at connecting China internally, and also to its neighbors, through extensive rail and port development, while also correcting one of the problems created by the colonial legacy—each rail system in the different colonial spheres of influence had track of a different gauge, allowing for the extraction of raw materials by each power, but rendering impossible, travel or transport from one part of the country to another by rail.

### 'Forestall the Chicago People'

Reinsch took the lead in 1914 in bringing together leading construction firms from the United States, Britain, France and Germany, working on a modified version of Sun's proposal. He created a Sino-International Construction Company, to carry out the unification and expansion of the rail system. Reinsch was stung when President Wilson rejected the plan at the last minute—the first of many confrontations with his friend Wilson, which would end in a total break in 1919.

Reinsch also began to recognize that his foremost enemies were located at the House of Morgan, whom he recognized to be dedicated to the British policy of keeping China divided. To counter the Morgan influence, Reinsch looked for alternatives to Morgan domination of foreign financing for China. He turned first to Frank Vanderlip, head of National City Bank, helping Vanderlip create the American International Corporation (AIC) in 1915. This looked promising, as a series of railroads for central and southern China were negotiated in 1916, as well as several port and canal projects. Here, too, the plan collapsed, as AIC eventually went along with Morgan

and British opposition to any development which infringed on the spheres of influence policy.

Reinsch then turned to Chicago, where John Abbott of the Continental and Commercial Trust and Savings Bank, Reinsch believed, was more independent of Wall Street and London. When the Chicago connection began to show results, with a series of loans, and plans to bring the governments of the north and the south together for joint development projects under Abbott's direction, Morgan began lobbying for a new bankers Consortium, which, in the words of Secretary of State Robert Lansing, was intended to "forestall the Chicago people."

Meanwhile, Japan had become an increasingly vocal and belligerent proponent of its special rights in China, against the Open Door. Reinsch, a fierce opponent of Japanese imperial designs in China, also recognized that Britain and Wall Street were sabotaging every plan for development in China, explicitly on the grounds that such plans would offend Japan's special interests, and jeopardize Western relations with Tokyo. Reinsch warned Washington of Japan's menacing ambitions when the Japanese army seized the German areas of influence in China, in Shandong Province, immediately after the start of the Great War in 1914, under the guise of supporting the British war effort against Germany. Then, in January 1915, Japan took further advantage of the preoccupation of the European powers with the war in Europe, to issue their infamous 21 Demands, declaring exclusive development rights in Manchuria and other critical areas of China, and demanding other, even more direct powers over Chinese military, economic and government policies.

Reinsch moved in January 1917 to circumvent Japan's claim to exclusive rights in Manchuria, by arranging financing for an alternative rail route to the Japanese-owned and controlled South Manchurian Railroad—a concession they had extracted from Russia and China after the 1905 Russo-Japanese War. Japan protested the new Chinese rail project, claiming that their 21 Demands (most of which had been accepted by President Yuan Shi-Kai) gave Japan a general preferential right concerning railway development in Manchuria and Inner Mongolia—even over the Chinese government itself! Reinsch shot back that the United States did not recognize special positions—but once again President Wilson rejected Reinsch's position, and even assured Japan that the United States would honor their special position in Manchuria.

### Thomas M. Lamont, International Fascist

The House of Morgan and their British allies were, by 1917, determined to put an end to these upstart American efforts to spoil their looting rights in China, and to allow China to be unified under republican rule. After President Yuan Shi Kai's death in 1916, the government of China was effectively divided among numerous warlords, a fractured government in Peking, and a separate government in the

5. Noel H. Pugach, *Paul S. Reinsch, Open Door Diplomat in Action*, 1979.

FIGURE 1

**China and Japan's South Manchurian Railroad**



*Japan after World War I occupied Korea and sent forces to claim “special economic rights” in Manchuria, constructing with London and Morgan help, the South Manchurian Railroad for looting purposes. Chinese Nationalists’ moves to build railroads in Manchuria in the 1920s were subject to a London-Wall St. credit embargo in support of Japan.*

South under Sun Yat Sen—a division much to the liking of the colonial-minded Anglo-American bankers. It was nonetheless decided that a new Consortium was necessary—not to finance the development of China, but the exact opposite: to prevent any loans from “rogue lenders”, be they from Chicago or some third country, by asserting centralized control over all foreign lending—i.e., a precursor to the modern day International Monetary Fund (IMF) control over lending and economic policies toward developing nations.

President Wilson agreed to the new bankers’ Consortium, and with the end of the Great War, a new, second Consortium for China was established in October 1918. Two men were chosen to run the operation: as head of the British Group, Sir Charles Addis, head of the notorious colonial drug bank, the Hongkong and Shanghai Bank, and a close friend of Bank of England chief Montagu Norman; as head of the American Group, Thomas W. Lamont, the CEO to J.P. Morgan, who throughout the 1920s and 30s would contribute directly to

the creation of fascist regimes in Italy, Germany, and Japan. Both Addis and Lamont, in the tradition of the British East India Company’s control over the British Empire, were speaking not only for the banking houses they ran, but for the British Foreign Office and the United States State Department, respectively. John Abbott of Chicago Continental and Commercial Trust attempted to get the appointment as head of the Consortium, but the dominance of J.P. Morgan in the financing of the war effort in Europe was such that the Wilson Government dared not deny the Morgan demand to run the China Consortium.

Nonetheless, Abbott and Reinsch organized a conference in Shanghai in April 1919 between leaders of the North and South of China, focused on their plan (Sun’s plan) to unify the Chinese rail system; but also aimed at national political reconciliation. Sun Yat Sen strongly supported this effort, and called on the United States (rather than the British) to assume control of the management of the financing for any loans for the project. Said Abbott, “Everywhere, they look to America to save China.”

Sun had just completed his monumental *International Development of China*, which argued that the huge productive capacity developed (mostly in the United States) for the conduct of the

Great War, must be maintained by turning it towards the industrialization of China—not just for China’s sake, but as the only means to prevent the Western world from degenerating rapidly into economic depression, new conflicts, and another World War. Sun presented his plans to Reinsch, who had his Commercial Attaché Julian Arnold study it and discuss it with Sun in March 1919, preceding the Shanghai rail conference in April.

These promising developments were undermined by two simultaneous developments in France. First, the Versailles Conference, to conclude World War I and set international policies for the post-war era, was a disaster—not only for Europe, where the imposition of reparations on the decimated German economy assured the conditions of economic crisis which would allow the emergence of synarchist/fascist regimes; but also for Asia, where President Wilson sold out China by retaining the colonial spheres of influence, and granting Japan control over the former German regions.



*Thomas Lamont's close friend Inouye Inosuke was the "Hjalmar Schacht" of Japan, alternatively Finance Minister and Bank of Japan chief setting financial policy for the fascist regime, while professing disdain for the right-wing military chiefs. He was a leading figure in the London-Morgan China Consortium which played "IMF," blocking loans to China.*

Sun Yat Sen had forecast precisely this result when he argued against China's joining the war against Germany, in his 1917 book *The Vital Problem of China*. Sun challenged the British portrayal of Germany as militarist and aggressive, asking: "Is it right for England to rob China of Hong Kong and Burma, to force our people to buy and smoke opium and to mark out portions of Chinese territory as her sphere of influence? . . . If one really wants to champion the cause of justice today, one should first declare war on England, France and Russia, not Germany and Austria. . . . When another country is strong enough to be utilized, Britain sacrifices her own allies to satisfy its desires, but when that country becomes too weak to be of any use to herself, she sacrifices it to please other countries." Britain treats its friends like a silk farmer treats his silkworms, said Sun: "After all the silk has been drawn from the cocoons, they are destroyed by fire or used as fish food."

Wilson's betrayal at Versailles, on April 30, 1919, unleashed in China a nationalist revolt called the May 4th Movement. This youth movement became the training and recruitment ground both for Sun Yat Sen's Nationalist Party, and for the emerging Communist Party. London's leading synarchist spokesman, Bertrand Russell, traveled to China in 1921-22, sponsored by none other than Liang Chi-chao's "Society for Chinese Lectures." Liang also sponsored John Dewey's trip to China, which was financed by the *New Republic*, a journal set up by Morgan partner, and old China hand, Willard Straight. Between them, Russell and Dewey set in motion a process of subversion which would infest China for decades, leading all the way to the nightmare of the Cultural Revolution in the 1960s.

Wilson's support for Japan's demands at Versailles be-

trayed not only China, but also his friend, United States Ambassador Reinsch. When the United States declared war on Germany in 1917, Reinsch was called upon to convince China also to join the war against Germany. Reinsch, who was believed by some to oppose the war, nonetheless convinced China, by promising the Chinese that they would be granted sovereignty over the former German territories in China, which had been occupied by Japan at the start of the war.

Wilson's contrary deal at Versailles, with Britain and Japan, stunned Reinsch, who wrote in response that the decision to allow Japan to retain the former German territories in China "destroyed all confidence in a League of Nations, which had such an ugly fact as its cornerstone." He considered the decision a threat to United States security and an abandonment of the Open Door, and supported China's refusal to sign the agreement. Reinsch even met with the May 4th Movement's student leaders, supporting their anti-Japanese boycott. On June 7, 1919, he resigned his position as United States envoy to China and officially broke with Wilson, warning that unless the Versailles decision was reversed, "the fruits of 140 years of American work will be lost."

There was a second event in France, on the sidelines of the Versailles Conference, which would prove to be even more deadly for the future of Asia. The newly created Consortium, with representatives from Britain, the United States, France, and Japan, met at the Paris offices of the Banque de l'Indo-Chine, chaired by Thomas Lamont. Fresh from their victory at Versailles, the Japanese delegation to the Consortium insisted that Manchuria and Inner Mongolia be excluded from the agreements of the Consortium, due to Japan's "special interests." Although Lamont agreed, the international anger over the betrayal of China at Versailles made it impossible to agree fully to the Japanese demand. Instead, the Consortium agreed that the South Manchurian Railroad, and other already existing Japanese projects in China, would be excluded from Consortium oversight, but they would not grant any *regional* exclusion—at least, not publicly. Lamont then arranged a trip to Japan for early 1920 to further discuss the synarchist strategy for Asia.

## Japan and China

Lamont's 1920 trip to Tokyo marked the beginning of a process whereby the British and their Morgan ally would systematically support and finance the Japanese occupation of China over the 1920s and 1930s, even as fascist regimes were being established across Europe. Lamont was joined in Japan by New York Federal Reserve Governor Benjamin Strong, a leading collaborator of Bank of England chief Montagu Norman. Lamont established close personal relationships with Inouye Inosuke, who would alternate between head of the Bank of Japan and Finance Minister, until his death in 1932, and Mitsui head Baron Takuma Dan, perhaps the richest man in Japan.

Inouye served as head of the Japan Group in the China Consortium. Faced with international opposition to Japanese imperial designs in China, Lamont and Inouye worked out a means to circumvent the official opposition of the Western governments, including that of the United States: the Western *banking groups* in the Consortium would exchange notes with the Japanese banking group, recognizing Japanese special interests in Manchuria and Inner Mongolia, despite their governments' opposition! However, the State Department learned of the plan and stopped it, much to the irritation of Thomas Lamont. Nonetheless, the private agreement between the bankers was understood among themselves, which was enough assurance for the Japanese to agree to membership in the Consortium without *formal* agreement to their special rights over the Northeast of China.

Lamont also visited China, presenting the conditions that were expected of the Chinese if they were to be granted any loans from the Consortium. These conditions included China's acceptance of international control over the country's railroads; the use of the tobacco and wine monopoly revenues to secure any loans (virtually every other income stream was already tied to British loans); and full payment on the German portion of the 1911 railroad bonds from the first Consortium. This last demand was particularly egregious, as China had renounced the German portion of the loan when they declared war on Germany in 1917—at the behest of the British and the United States—and in keeping with internationally accepted practice.

However, it turned out that J.P. Morgan had arranged for many of the German bonds to be sold to American investors, and they intended to collect! Lamont insisted that the bonds be paid in full, or there would be no new Consortium lending.

This was a convenient excuse for a previously determined policy of starving China of credit. In fact, for the entire life of the Consortium, it never offered, nor issued, a single loan to China!

Lamont also visited Sun Yat Sen, telling him that "President Wilson asked me to find out whether there were any way to bring peace between the South and the North, so that, joined together, the two governments could make proper disposition of the tuchens (warlords) that ravage and bleed the intervening country." According to Lamont, Sun responded: "Peace between the North and South? Why, yes. Just you give me \$25 million, Mr. Lamont, and I'll equip a couple of army corps. Then we'll have peace in short order." Whatever Sun's actual response, Lamont reported to Washington that Sun was a dangerous, anti-democratic and corrupt leader.

Lamont's trip to Asia was hailed in the United States as a triumph, supposedly for having convinced Japan to join the Consortium without the concessions they had demanded, even as Japan was expanding its investments and personnel (both civilian and military) into Manchuria and Inner Mongolia. Lamont immediately set out to convince the United

States government that Japan's development of the South Manchurian Railroad and the corridor surrounding it were worthy of credit from the United States banking system—that Japan could better develop China than China could itself! This was rejected by the State Department. Lamont slyly wrote to Inouye, suggesting that the "first loan (from the United States to Japan) should be something more purely Japanese, rather than intimately relating to the mainland of Asia."

### Loans to Japan, Embargo of China

Then, in 1923, when Japan was struck by an earthquake which devastated Tokyo, Lamont had his opportunity. In addition to taking personal responsibility for raising humanitarian contributions for Japan in the United States, Lamont quickly arranged, and won approval for, a \$150 million Imperial Japanese Government loan, raised in New York and London—the largest foreign loan ever placed in the United States market. Many more loans followed thereafter.

Meanwhile, Chinese bankers in Peking tried to free themselves from Consortium control. In 1920-21, they formed the Consolidated Loan Fund, aimed at reorganizing all domestic bonds such that the revenue from customs, salt, wine, and tobacco would be placed in the Fund, rather than subordinated to foreign control (primarily through the Hongkong and Shanghai Bank). All of this was within the sovereign rights of the Chinese Government. In October 1921, they issued a Manifesto of Chinese Bankers, demanding that the customs and other revenues be deposited in Chinese banks; that Chinese bankers participate in the Consortium; that foreign banks be forbidden to issue notes within China; and opposing further foreign ownership of Chinese railroads.

Within weeks there was a run on the Bank of China. Finance Minister Dr. W.W. Yen claimed that the run was "without warning and for no apparent reason." Dr. Yen was described by a British Minister in China as "made up of all the worst extra-Chinese elements. He is a Christian by religion, American by education, and having been Minister to Germany before and for the best part of the war, is anti-British, pro-Bosch and pro-American."<sup>6</sup>

Patriotic American interests also made one final attempt to break through the Consortium roadblock in China, by providing development programs to Sun Yat Sen's government in the South. Even while Sun was boycotting Hongkong trade, in retaliation for the British refusal to relinquish the salt revenues, the American military attaché and the vice-consul in Canton discussed plans with Sun for the development of the Canton harbor. United States Secretary of Commerce (later President) Herbert Hoover supported these efforts, until the death of President Warren Harding in 1923,

6. Roberta Allbert Dayer, *Bankers and Diplomats in China, 1917-1925: The Anglo-American Relationship*, 1981.

after which President Calvin Coolidge backed the Consortium.

Even one of the representatives of the American Group in the Consortium, F.W. Stevens, argued that abandoning the South would sacrifice American interests to the British. Lamont denounced Stevens, telling him that unless he had “complete faith in the British Group then he was not the man for us.” Lamont even forwarded confidential anti-British memos from Stevens, both to Addis and the British Foreign Office!

Dr. Paul Mallman, a consulting engineer and chemist, arranged to build an iron and smelting plant in the South to produce steel rails. He later lodged a formal complaint in Washington that the Consortium had blocked the development, reporting that “United States Steel and J.P. Morgan and Co. were behind it,” and that he had learned that the Consortium had “ordered all money markets closed to China.”

## Division of China

British refusal to work with Sun Yat Sen was transformed into overt military operations against him in 1922. The British Consul General in Shanghai, after reviewing Sun’s *International Development of China*, accused Sun of trying to supplant colonial Hongkong as a trans-shipping center by Canton, and linked Sun to Bolshevik activities in the South. The British, under Addis’ direction, provided Chen Chung-ming, a warlord in the Canton region, with a \$500,000 loan to conduct a military assault on Sun and his KMT base in Canton, which nearly succeeded. At the same time Addis began making direct economic and military deals with other regional warlords, encouraging them to act independently of either Peking or Canton.

Similarly, Lamont, in 1923, said he doubted that “the existing civil organization (of China) can ever be revived.” He proposed the subdivision of China, through the establishment of “autonomous provinces, organized by the people, and the creation by them of an entirely new Central Government to maintain merely foreign relations.”

In 1924, facing the intentional vivisection of China by both the British and the United States, Sun turned to the new Soviet government in Moscow for support in building the military forces needed to unify the country. Although Sun died in 1925, his chosen successor, Chiang Kai-shek, led the KMT armies north in 1926, finally uniting the nation under republican leadership in 1928.

Lamont hurried off to Japan in 1927, determined to provide Anglo-American backing to Japanese control over the development of the resources in China—i.e., a colonial occupation. To achieve this, he had to overcome the anti-Japanese sentiment in the United States and elsewhere, which had grown ever more intense as Japan revealed its imperial intentions in China. “I believe in the Japanese people,” Lamont said to a Japanese audience. “That talk of war between our



*After Dr. Sun’s 1911 revolution toppled the Ching dynasty, Imperial General Yuan Shikai hung on, with international backing, as military dictator, and forced Sun to form an alternative government in the South of China for more than a decade.*

two countries, which we sometimes hear, is both wicked and silly.” His friend Inouye, then Finance Minister, gave Lamont detailed studies of Japanese plans for the expansion of the South Manchurian Railroad, and asked for a \$30 million loan, to be guaranteed by the Japanese Government. Lamont, in arguing for the loan in Washington, wrote: “The state of China’s administration—divided, corrupt, unofficial, and torn by strife—ruled out any possibility that China could develop the province [Manchuria] itself.”

Lamont further insisted, as in his discussions with Sen. Frank Kellogg, that Japan had “abandoned military force as a means of expansion in Asia, and had no imperialistic design on its neighbor.”<sup>7</sup> He argued that the “cardinal feature of their policy is friendship and cooperation with America.”<sup>8</sup> Speaking to the Institute of Pacific Relations (IPR) in December, 1927, Lamont urged these China-hands to encourage China to “compose their differences to the point of jointly inviting the amiable co-operation of foreign interests, the American, British and Japanese. We shall see no war over Japanese interests on the mainland of Asia.”

While Republican China continued to be denied access to credit, under the IMF-like control of the Lamont/Addis-led Consortium, Lamont’s J.P. Morgan poured money into Japan. When the State Department rejected Lamont’s effort in 1927 to get direct loans for Japan’s South Manchurian Railroad

7. Edward M. Lamont, *The Ambassador from Wall Street, The Story of Thomas W. Lamont, J.P. Morgan’s Chief Executive*, 1994.

8. *The Chinese Connection: Roger S. Greene, Thomas W. Lamont, George E. Sokolsky and American-East Asian Relations*, Warren I. Cohen, 1978].



1898 “imperial reformer” Kang You-wei (left) and his protégé Liang Chi-chao (right). Liang became the ideologue of the post-imperial governments backed by Britain and Japan against Sun Yat Sen after 1911. Liang’s models were Napoleon and Bismarck; Sun’s were Washington and Lincoln.

colonial project in China, Lamont advised the Japanese to create a holding company which would subsume the Railroad, so that he could arrange loans to the holding company without referencing the incursions into China. “What we have in mind,” he wrote to his friend Inouye, “is to avoid in this market the name of the South Manchurian Railroad.”

In response to the Northern Campaign to unify China under Chiang Kai-shek’s KMT, Japan militarists in 1927 further expanded their power over the government in Tokyo. A Japanese military intervention in Shandong, intending both to consolidate power in that province, and to interdict the KMT forces moving north, was met by international denunciation, and was pulled back. However, in 1928, the Japanese army in Manchuria blew up the train car carrying Manchurian warlord Chang Tso-lin, blaming it on the KMT, and expanded Japanese control in the region as a response to the “instability.”

Calls for sanctions and reprimands were heard across the Western governments, but J.P. Morgan continued the flow of cash into Japan, while Lamont continued defending and promoting Japan as America’s friend in the region. By 1931, J.P. Morgan had floated \$263 million in loans for Japanese borrowers, including direct loans to the government in 1930.

## Mukden

The Chinese government, both before and after the 1927 consolidation of Nationalist power, took measures to counter expanding Japanese control over Manchuria. In particular, the Manchurian warlord/governor Chang Tso-lin—and his son Chang Hsueh-liang, who became governor after the Japanese assassination of his father in 1927—worked with the Peking government to construct Chinese-owned rail lines in Manchuria, so as not to be dependent on Japan’s South Man-

churian Railroad for economic or military transport. The project was financed internally, through the proceeds of the Chinese-owned Peking-Mukden rail line. Japan condemned the effort by sovereign Chinese interests as a breach of the Japanese sphere of influence in their country!

In September 1931, Japan’s army in Manchuria carried out the infamous “Mukden incident.” The army blew up a stretch of the South Manchurian Railway north of Mukden, blamed it on Chinese subversives, and within hours, without requesting authority from Tokyo, seized Mukden and all the towns in a 200-mile radius north of the city—all within four days.

The League of Nations passed a resolution demanding that Japan withdraw from the conquered territory. The United States, which was not a member of the League, declared Japan in breach of the Kellogg-Briand Pact—an agreement among major powers, including Japan, signed in 1928-9, “for the renunciation of war as an instrument of national policy.”

But not Lamont. The Morgan CEO leaped to defend Japan. In a letter to his journalist friend Walter Lippmann, intended for publication, Lamont argued that: Japan would assure the peace in Manchuria; the Chinese had broken agreements by building competing railroads, in “deliberate economic wastage in duplicating existing facilities”; and China was “withholding payment on any Japanese bonds” and using the money for the competing railroad. “In other words,” he concluded to Lippmann, “China has conducted the most lawless and aggravating course possible. . . . They make the world believe that Japan hasn’t changed. I think it has.”

Lamont wrote to Finance Minister Inouye. Inouye, like his counterpart Hjalmar Schacht, portrayed himself as an opponent of the militarists, even while imposing policies which

could only be implemented through military force, domestically as well as in foreign policy. Showing that they understood the principle of the Reichstag Fire, by which Hitler would impose his Nazi dictatorship over Germany the following year, Lamont and Inouye *together* drafted a statement, signed by Inouye, to the *New York Times*, arguing that Japan had no option but to attack, and accusing the Chinese army of carrying out the (actually self-inflicted) bombing of the South Manchurian Railroad. The letter compared Japan's control of Manchuria to America's long-standing control of Panama, and insisted there would be "no war on China"; that the Japanese had only the "friendliest feelings toward the Chinese."

A sympathetic historian of the House of Morgan, Ron Chernow, had this to say about Lamont: "Along with his secret work for Mussolini, the Mukden incident is probably the most disturbing episode in Lamont's career."<sup>9</sup>

Japan responded to the outcry against its operations in Manchuria by further atrocities. Already holding all of Manchuria above Mukden, in December 1931 it deployed south towards the Great Wall of China, using air power to support the troop movements. The United States issued the Hoover-Stimson Doctrine, declaring that the United States would not recognize the impairment of treaty rights in China resulting from Japan's illegal military actions.

Within days of this declaration, Lamont arranged for the deferment of substantial debt payments owed by the Japanese, and due in January 1932!

### Morgan's Policy Eats Its Own

The militarists now seized full control in Japan. In late January, Japan used an attack on Japanese citizens in Shanghai, by Chinese protesting the Japanese incursions in Manchuria, as justification to unleash a full military assault on the densely populated city of Shanghai and its vicinity. For a month, Japan's navy and air force bombarded Shanghai, and sent bombing raids on the nation's new capital in Nanjing. Meanwhile, Japan declared the independence of Manchuria and Inner Mongolia, to be called the Kingdom of Manchukuo, under the puppet leadership of the deposed, last Manchurian Emperor of China, Pu Yi.

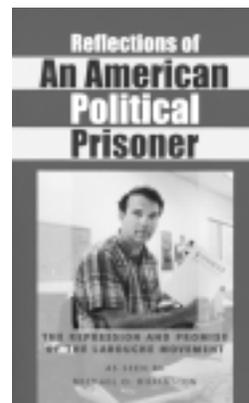
Within Japan, right-wing terrorists assassinated Lamont's friends Inouye and Baron Takuma Dan of Mitsui. Still, Lamont remained an advocate of Japan over China. He proceeded to arrange with another Japanese friend to set up in the United States a "Japanese Information Bureau," similar to one he had set up for Italy with Mussolini. He prepared a memo for the United States Government calling for a joint United States/Japan Declaration on trade and peaceful relations, so that "all war talk will immediately be silenced."

9. Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance*, 1990.

When Franklin Roosevelt became the U.S. President in 1933, the Reconstruction Finance Corporation extended a loan to China to purchase United States wheat and cotton. Lamont and Addis protested vigorously, insisting that any loan must go only to the repayment of outstanding debts. Only when Japan declared all of China to be Japan's area of special responsibilities, in both security and trade matters, did Lamont begin to acknowledge that there were problems in Japan.

However, as late as 1937, after Japan had opened full-scale aggressive war across China, Lamont opposed any boycott or embargo against Japan—as he also extended his most profound support to Neville Chamberlain's appeasement of Germany at Munich as an "act of moral grandeur unequalled in our time."

How has the Morgan name survived their overt participation in the creation of a global synarchist network of fascist states? Part of the answer lies in the dumbing-down of the American population to the point that it would tolerate a statement like the following, again from the 1990 history of the House of Morgan by Ron Chernow: "By the 1920s, Lamont had recruited three new clients [for J.P. Morgan Bank]—Japan, Germany, and Italy—whose course would sharply clash with America's. It was strictly by chance that the bank became involved with three future enemies."



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## Book Review

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# Churchill, the Beast-Man Architect Of Anglo-American Imperialism

by Stu Rosenblatt

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### **Winston Churchill: A Study in Greatness**

by Geoffrey Best

New York: Oxford University Press, 2003

400 pages, paperback, \$18.95

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Few Americans understand the imperial drive that has embroiled the United States in the Iraq disaster, because they don't understand the givens behind the sacrosanct policies, such as "spreading democracy," the "Anglo-American special relationship," "pre-emptive war," "The Coalition," and other buzzwords in whose defense we send our citizens to die and/or kill in unfathomable brutality. More importantly, what has been kept from Americans is that one of the architects of these givens—either as initiator or promoter—was one of the most evil men of the 20th Century: Winston Churchill. Quite the opposite, many Americans have been taught to look to Churchill as the great man, as Geoffrey Best calls him in this new biography. Churchill's persona is the iron-willed leader for tough times. American political leaders, on both sides of the aisle, regularly invoke Churchill as ensconced in the pantheon with great Americans. But, more bluntly, Briton Niall Ferguson invoked Churchill's brutal suppression of the 1920s' Iraqi uprising against their colonial masters, in an April 18, 2004 *New York Times* op-ed: Here's how we defended the Empire then, said Ferguson. Suck it in, Yanks, and do the right thing now: "The lessons of empire are not the kind of lessons Americans like to learn. It's more comforting to go on denying that America is in the Empire business. But the time has come to get real."

Lyndon LaRouche, in his LaRouche Doctrine for Iraq and Southwest Asia, called for the repudiation of these Utopian, or imperial, military doctrines, which have distorted U.S. military policy increasingly, since the end of World War II. Many of the most nefarious of those doctrines—air power, shock and awe, pre-emptive conventional war and nuclear war, and other madness—are now standard fare in the increasingly

imperial posture of the U.S. military. Most of these policies in the United States have their origin in that most imperial of "democrats," the nasty Mr. Churchill. In the 60 years, since the death of President Franklin Roosevelt, United States strategic policy has shifted away from its foundations in the Republic, in the tradition of Washington and Lincoln, to becoming the muscle for the English-speaking empire, as exemplified by Churchill.

Best's biography is a typical apology for Churchill, "the greatest Englishman of the 20th Century." Best is forced to concede many of Churchill's most egregious errors, but he refuses to identify him for the monster he truly was, hence perpetuating one of the substantial myths at the root of America's current debacle in the desert.

Let us dispense right away with Churchill's one important contribution to mankind, his courageous battle against Nazi tyranny in the Battle of Britain. This is well presented by Best, but he bypasses the fact of Churchill's motivation for resisting the Nazis: Churchill did not oppose fascism in any form; he merely refused to allow his Empire to play second fiddle to that of another second-rate painter, Adolf Hitler. At the same time that Churchill was launching war to save his beloved British Empire, he unabashedly supported other fascist regimes, less threatening to England than Hitler—notably Spain's Francisco Franco.

### **Origins of the Empire Man**

In order to win the Second World War, the United States entered into an alliance with Britain and the Soviet Union, and from that point on, it has become an American article of faith, Britain has been our longstanding, close ally. LaRouche and *EIR* have exploded that myth, proving that United States has been at odds with its Revolutionary War adversary for fully 200 years. Churchill's intention, from no later than the 1920s was to foster an alliance between the U.S. and Britain, within the umbrella of the British Empire, albeit under many guises, not the least of them "spreading the democratic ideal." In the 1930s, Churchill authored the diabolical strategy to create a Union of English-Speaking Peoples, of which the



*Churchill officially declared the Cold War against the Soviet Union in his so-called Iron Curtain speech at Westminster College in Fulton, Missouri. Ironically, the 1946 speech was titled "The Sinews of Peace." Note President Truman laughing at the podium's right. Truman lied that he never saw the speech, but he and Churchill had gone over it together on the train trip out to Fulton.*

post-war America's "special relationship" with the mother country, was the most important adjunct.

His aim, the very soul of his true identity, was to preserve and expand the British Empire, in all of its despicable glory, whereas the very soul of the United States has been bound up with its opposition to the imperial impulse, as was seen in the dedications of Abraham Lincoln, Franklin Roosevelt, Dwight Eisenhower, John Kennedy, and Lyndon LaRouche. All of this is threatened by the past 60 years' post-war history, in which the United States has become increasingly an imperial partner of a Churchillian Anglo-American alliance.

### **Background of an Imperialist**

Churchill was born in 1873. His grandfather was the seventh Duke of Marlborough, and his father, Lord Randolph Churchill, was a Tory leader in the Parliament. (The late Graham Lowry's *How the Nation Was Won* documents the Marlboroughs' hatred for everything American, from the earliest years of the colonies.) Churchill's mother, Jennie Jerome, was the daughter of Wall Street speculator and *New York*

*Times* publisher Leonard Jerome. Blenheim Palace, the ancestral home of the Marlboroughs, bespeaks Churchill's upbringing—by nannies, naturally—in the bosom of the Victorian "Empah."

Churchill was an enraged, rebellious student, and ended up in the Army. With Victoria's realm at its zenith, Churchill used his mother's social connections (and bedhopping) to secure far-flung deployments to the heart of Her Majesty's imperial wars. In 1895, he fought with the Spanish Army against the rebels in Cuba; in 1897, he fought against the Pathan rebels in the Northwest Frontier of British India. In 1898, he served under Kitchener in Sudan, achieving infamous glory in the bloody suppression of the Khalifa. In 1899 he was in South Africa fighting the Boers.

Though born into money, most of it was squandered by his philandering family, leaving Churchill compelled to write of his exploits for various newspapers, back in the mother country. He made a handsome living this way, and parlayed the efforts into extensive media coverage, all of which got him elected to Parliament in September 1900.

As his books attest, the young Churchill was a hide-bound imperialist adventurer, ambitious, racist, and full of

himself. Fabian Society leader of liberal imperialism Beatrice Webb typed him as "restless, egotistical, bumptious, shallow-minded and reactionary, but with a certain personal magnetism, great pluck and some originality."

Best describes how Churchill was immersed in the mindset of British imperialism, as he made his way up the ladder of power. His racist policy was animated by the desire to maintain the Empire as the white man's stranglehold over indigenous colored populations.

By the turn of the century, Britain's oligarchy grouped around Edward VII took the decision to launch what would become the First World War against the German Empire. The purpose was to both preserve Britain's global supremacy, and to destroy the emerging alliance of industrial nations around the United States. If the immediate target was Britain's chief rival, Germany, the influence of the United States and the American System ideas in the world, was no less a threat.

Churchill was brought into the Admiralty to spearhead the buildup of the Royal Navy, to guarantee victory at sea. Best's report on Churchill's readying the empire for war,

misses the driving force played by this scion of the Marlborough family. Churchill built the modern fleet of Dreadnought battleships, converted the Navy to oil-fire, and seized Middle East oil reserves. Churchill recruited the wild-eyed Jacky Fisher out of retirement to run the Navy, and together they devised all the battle plans and launched the naval buildup in 1911-14, which led directly into the Great War.

In his war memoir *The World Crisis*, Churchill spews out his hatred for Germany and his fantastic view of the Navy and the Empire. "For consider these [Dreadnought] ships, so vast in themselves, yet so small, so easily lost to sight on the surface of the waters. Sufficient at the moment, we trusted, for their task, but yet only a score or so. They were all we had. On them, as we conceived, floated the might, majesty, dominion and power of the British Empire. All our long history built up century after century, all our great affairs in every part of the globe, all the means of livelihood and safety of our faithful, industrious, active population depended upon them. [If they sank], the British Empire would dissolve like a dream; each isolated community struggling forward by itself; the central power of union broken; mighty provinces, whole empires in themselves, drifting hopelessly out of control, and falling a prey to the iron grip and rule of the Teuton and of all that the Teutonic system meant. There would only be left far off across the Atlantic unarmed, unready, and as yet uninstructed America to maintain, singlehanded, law and freedom among men."

Churchill's war leadership was characterized by manic-depressive obsessions and flights of fantasy, and he was ultimately dismissed, after the fiasco he perpetrated in the Dardanelles campaign, which he revisited in World War II as the "soft underbelly" campaign.

## Overlord

After the war, Churchill was brought into the Versailles peace conference, and here befriended many those responsible for the decline of civilization over the course of the just-born century. These included Americans inimical to everything American, such as Morgan Bank's Thomas Lamont, and Churchill's life-long friend and financial adviser Bernard Baruch.

Throughout the 1920s Churchill was either in government or Parliament, switching back to the more egregious Conservatives, more for expedience than ideology. Churchill rose to the forefront of all imperial operations: In the 1920s, he was both Secretary of State for War and Air, and later Chancellor of the Exchequer (equivalent to Treasury Minister), under Stanley Baldwin. In the latter capacity, he implemented the "Return to Gold" policy drafted by Bank of England Governor, and Synarchist agent, Montagu Norman. Under this plan the Empire could prepare for the next world war, by consolidating and protecting the imperial domains. The four highlights of the plan were a return to the British gold standard,

Imperial preference (protectionism inside the empire), tariff increases against all outsiders, and high interest rates at home, which further gouged British subjects' already pathetic standard of living. Not everyone was snookered by Norman's scheme, and Churchill's implementing it: John Maynard Keynes penned a diatribe against it, called "The Consequences of Mr. Churchill."

Best describes, that as Secretary of State for War and Air, and then head of the Colonial Office, Churchill was guided by "the place and prestige in the world of Great Britain and its Empire." He presided over the carving up of the Ottoman Empire, and the creation of a Middle East Department to run that area. Churchill also created the Royal Air Force, which he used to police the Empire, including the brutal repression of Iraq and the subjugation of India.

Best grudgingly admits the disgusting racist outlook that permeated Churchill's "handling" of the Empire's problematic subjects. Churchill called the father of India's self-rule movement, Mohandas Gandhi, "a seditious Middle Temple lawyer now posing as a fakir of a type well-known in the Middle East, striding half-naked up the steps of the Vice-regal palace . . . to parley with the representative of the King-Emperor." For five years at the end of the 1920s, Churchill blocked the Government of India Act. He ranted that against any Indian participation in government, was "a crime against civilization," and "a catastrophe which will shake the world."

Best finds Churchill's casual racism—slinging about words such as "blackmoor, nigger, wog, chink, eyeties," with so much abandon—upsetting. He responds similarly to Churchill's notorious campaign against the Indians.

## The War To Perpetuate All Wars

If Winston Churchill was unopposed to Fascism, he did nonetheless lead the opposition to the German Nazism in the 1930s. Best writes: "He was an anti-Nazi, not an anti-Fascist until very late in the day. He failed to give serious thought to the issues at stake in the Spanish Civil War and he did his own anti-Hitler campaign no good by appearing at that time to be pro-Franco." Because he would allow nothing to challenge the British Empire, by the early 1930s, he was already sounding the alarms against the rise of Hitler. In 1934, writes Best, Churchill warned, that "The choice for Britain was between preparing to submit to 'a Teutonic domination of Europe' or to prepare to resist, which meant rearmament in collaboration with other nations of like resolve."

Churchill led the fight in Parliament for airplane construction and war preparations of all kinds throughout the 1930s. Unlike the pro-Nazi Synarchists, such as Lord Halifax, Lord Beaverbrook, and Samuel Hoare, who wanted Britain swallowed up as a junior partner in a Nazi Empire, Churchill refused to capitulate.

He condemned the Munich Pact, because, "What I find unendurable is the sense of our country falling into the power,

into the orbit and influence of Nazi Germany, and of our existence becoming dependent upon their good will or pleasure.”

But as Lyndon LaRouche identified, in “Reductionism as Mental Slavery”: “Churchill’s motive [for opposing Hitler] was simple; he needed no one to teach him affection for fascism, but Churchill represented those who would not make a pact with Europe which would lead to the early dissolution of that British Empire established, in fact, by the 1763 Treaty of Paris. Churchill did not object to fascism; he objected to the development of a Germany-based ‘universal fascist’ order, which could make the British a chess-piece of world politics, rather than the intended Anglo-American ‘cousins’ as hegemonic player.”

Several aspects of Churchill’s conduct of the war need to be reported, which Best either merely references or leaves conspicuously absent. First, Churchill’s war aims were always defined by preservation of the empire. Second, the lack of logistics in-depth that characterized Britain’s war-fighting approach, favoring, as Churchill did, what became known as special operations and air power, including the terror bombing of non-military sites, such as German cities. Third, once victory was within sight, Churchill shifted his agenda to launching “pre-emptive war” against one ally: the Soviet Union. Finally, a key feature of Churchill’s strategy was the creation of an Anglo-American alliance during and after the war, to replace the decaying British Empire and become a new Roman Empire.

Britain’s continuing imperial ambitions in the war constantly brought Churchill into conflict with the Allies, extensively documented in *EIR*, and very pointedly by Elliott Roosevelt, FDR’s son, in *As I Saw It* But, Best glosses over this fundamental issue, over which Roosevelt and Churchill locked horns at every turn: At every Big Power summit, FDR spelled out his vision for the post-war, non-colonial world, much to the Prime Minister’s chagrin.

If Best does allude to this conflict regarding the Far East theater war aims, the conflict of Churchill and Montgomery against Eisenhower, is all but avoided.

Best does not avoid Churchill’s enthusiasm for the RAF’s carpet bombing campaign, which *EIR* has extensively covered. He does expose the fact that Churchill was at the center of the decision for the RAF to shift its bombing from nighttime strikes against military targets to daytime area bombing, largely against German civilians, Arthur “Bomber” Harris was a Churchill appointee and close friend. As Best states, “For its first 12 months of operations, Bomber Command carried to Churchill’s satisfaction and indeed in close collaboration with him, to the virtual exclusion of the Chiefs of Staff. He would talk fiercely about bombing Germany to bits.” Even Best is disgusted, but it is also the most honest section of his book, and it establishes Churchill’s dubious place of honor in the history of bestial men. Churchill knew, from studies he

commissioned during the bombing, that the effort was completely ineffective, but admitted he wanted revenge and the obliteration of the German nation. Best writes, how Churchill’s brutality shocked even himself, such that “while watching at Chequers an Air Ministry film of German cities burning under Harris’ assault, [he] once burst out, ‘Are we beasts? Are we taking this too far?’ ”

That question was ultimately answered, with the totally unnecessary nuclear bombing of Hiroshima and Nagasaki.

## Launching a New Fascist World Order

Beginning in 1944, Churchill set about launching the initiatives for his Anglo-American empire. After Normandy, the Anglo-American oligarchy determined that Franklin Roosevelt was no longer necessary to galvanize the Allied war effort to victory, and that henceforth all forces were marshaled for the creation of a new global fascist order: This time, English-speaking, controlled by the Synarchist allies of Winston Churchill.

A cold coup d’état was launched inside the U.S. Democratic Party, signalled when Vice-President Henry Wallace, a New Deal supporter, was replaced as FDR’s 1944 running-mate, by KKK-sympathizer Harry S Truman.

For his part, Churchill began his secret plans to attack the Soviet Union, after the cessation of hostilities in Europe. The Anglo-Americans sought to smash their war-time alliance with the Soviet Union, and assimilate the Nazi intelligence service into the ranks of the new imperialists. As *EIR*’s Michael Liebig documented, the Anglo-American Synarchist bankers, merging forces with the remains of the Nazi enemy, started offensive operations against the Soviets. Following orders from Allen Dulles, wartime leader of the Office of Secret Services (OSS), the Allies recruited lock, stock and swastika, entire branches of the Nazi SS: Some of the more notorious names included Klaus Barbie, Gen. Reinhard Gehlen, and Otto Skorzeny.

Meanwhile, Churchill launched actions to destroy the Soviet Union. As *EIR* reported in October 1998, documents recently unearthed showed that Churchill commissioned the British military to prepare a war plan against the Soviet Union named “Operation Unthinkable.” This serious scheme included redeploying British and American troops from the European theater—even before the war against Japan had ended!—to attack the Soviet Union. Churchill knew that the likely war would be long and gruesome. Though ultimately rejected by the British high command, the plan gives a far different sketch of Churchill than the “bulwark of freedom, and rule of law.” Only a vague hint of this appears in Best’s book, in the form of a prescient telegram to the newly installed President Harry S Truman, to whom he wrote on May 12, 1945, “An iron curtain is drawn down upon their front. We do not know what is going on behind . . . surely it is vital now to come to an understanding with Russia, or see where we are

with her, before we weaken our armies mortally or retire to the zones of occupation.”

The doctrine that did emerge beginning with such telegrams, was the insane policy of preventive nuclear war. As Lyndon LaRouche has fully developed this idea, the threat of preventive nuclear war was used to terrorize the post-war world—with nightmare visions of two flattened Japanese cities—into submission to the new Anglo-American fascist order. When the decision to use nuclear weapons on Japanese civilian populations was made at Potsdam in the Summer of 1945, Churchill was at Truman’s side, controlling the all-too labile President.

Churchill, along with his “left wing” cohort Bertrand Russell, promoted pre-emptive use of those nuclear weapons to annihilate the Soviet Union. Best acknowledges Churchill’s support of this horror, though he does not reveal the gory details, as *EIR* has reported them.

Preventive nuclear war as a strategic doctrine would dominate the thinking of the Anglo-American Utopians for the next 60 years, and is today the policy of Churchillian Beast-Men, such as Dick Cheney and Tony Blair. Churchill became a dominant policymaker for the Synarchist establishment, until he was ousted as Prime Minister in 1955. Only strategic miscalculation kept him from establishing a global fascist order during that period, but all the significant, rotten initiatives of that period came from the circles around Churchill.

The Winter of 1946 was murderous, killing tens of thousands in war-torn Europe (synarchist World Bank chief John J. McCloy even denied aid to the Soviet Union), but that Winter was when Churchill traveled to the United States to ignite the Cold War. In January, he stopped first in Miami Beach, for a secret meeting with his financier-confidant Bernard Baruch. He had been invited to speak at Westminster College in Fulton, Missouri in March, and with Baruch, the two went over the finishing touches of his now-famous speech. Baruch was the Democratic Party conservative insider, opponent of Franklin Roosevelt, and the deep pockets who was the forerunner of the 1980s Robert Strauss.

Churchill then traveled the country, ending with a train ride to Fulton in the company of Harry Truman, who had extended the original invitation to Fulton. En route, Truman had a chance to review the speech. Later he would claim that he never saw it all, but in fact, Truman put the stamp of his approval to it.

Entitled, ironically, “The Sinews of Peace,” Churchill’s diatribe launched the Cold War. Two components of that speech are critical: First, Churchill throws down the gauntlet against the Soviet Union with his infamous characterization of the Iron Curtain descending to cut Europe in half. The second aspect is his call for the post-war British and American alliance, a crucial feature of Churchill’s strategic thinking for the remainder of his life. Churchill intoned, “Neither the sure prevention of war, nor the continuous rise of world organiza-

tion will be gained without what I have called the fraternal association of the English-speaking peoples. This means a special relationship between the British Commonwealth and Empire, and the United States. This is no time for generalities, and I will venture to be precise. . . . If all British moral and material forces and convictions are joined with your own in fraternal association, the high roads for the future will be clear, not only for us but for all, not only for our time, but for a century to come.”

This idea would take on various euphemisms, the “givens” we cited at the outset, but it all boiled down to British-American imperialism. The speech evoked a storm of opposition in the U.S. press, which Best carefully plays down. But Churchill, quite happy with his attack, restated it in another location. To underscore his declaration of war against the Soviet Union, Churchill repeated his charges in New York on March 20, offering the Soviets a chance to submit to Anglo-American diktat or face the consequences.

Best does acknowledge that it was Churchill’s trip that started the fight inside the United States over whether we should break with our wartime and historic ally, Russia, to ally with our ancient enemy Great Britain—which almost every American in 1946 viewed as a nation not to be at all trusted.

The floodgates opened to drastically shift U.S. policy. In February 1946, George Kennan, State Department chargé d’affaires in Moscow, and key synarchist operative, penned his Long Telegram against Stalin and Russia. On June 14, 1946, Bernard Baruch, whom Truman appointed to head up the U.S. task force on control of nuclear energy, issued the Baruch Plan. In summary, the plan called for UN control over all nuclear materials, immediate punishment of any violations, and the abrogation of the UN veto power over any findings not approved by a nation. Churchill confidant Baruch had been named chair for the sole purpose of issuing a provocative finding. Baruch writings admitted that he knew not the first thing about nuclear energy or its control, but his job was to escalate the Cold War against Russia, which he did with gusto. His June report thoroughly enraged the Soviet government. One week after Baruch himself read the report aloud at Hunter College, Commerce Secretary Henry Wallace, an FDR supporter, believer in sharing nuclear secrets, and promoter of close U.S.-Soviet ties, sent a scathing letter to Truman, in protest.

In the Fall of 1946, Wallace was canned by Truman, for opposing the turn in U.S.-Russia policy. The Truman Doctrine, making the United States a de facto protector of the British Empire, was issued in 1947, and the Berlin Airlift occurred in 1948. Against the backdrop of Churchill, Bertrand Russell, and others agitating for the pre-emptive use of nuclear weapons against the Soviet Union, the unneeded NATO alliance was cemented in 1949.

All of this emanated from the rantings of Winston Church-

ill and his minions.

However, there was an uncalculated consequence of their flight forward: the Korean War. As Lyndon LaRouche has brilliantly developed this point, by forcing the Russians and the Chinese to the wall, they flanked the Anglo-American operations by launching a ground war in Asia. The Russians countered the U.S.-British imperial provocations with asymmetric war, a deliberate campaign that has not been concluded to this day.

The United States failed to learn the lessons of these decades of confrontation with Asian nations, and that stupidity has been repeated most recently in Southwest Asia. Once the U.S. adopted the imperial model of Churchill, our historic, and successful, republican doctrine of strategic defense was lost. This was not merely a mistake, but rather an axiomatic change in U.S. policy, the replacement of traditional U.S. military doctrine, by an oligarchical policy of perpetual and imperial war.

### **Eisenhower Against British Imperialism**

In the 1950s, Churchill continued his anti-Soviet rant both from Parliament and again as Prime Minister in 1953. However, when the Soviets developed their own bombs, including the first deployable thermonuclear devices, Churchill, following the lead of Bertrand Russell, helped initiate the détente with the Soviet Union, which meant ruling the world through the doctrine of Mutual and Assured Destruction.

Little-reported is the battle between Churchill and Eisenhower, and Best shines a light on some only recently reported material. During World War II, as is well known, but equally well-covered up, there was an unbridgeable divide between Churchill's British imperial ambitions and Roosevelt's desire to create a post-war world of sovereign, and prosperous nation-states, on the U.S. model. This battle for the traditional American model, such as John Quincy Adams' community of principle among nations, against the opposing British imperial dogma, continued between Eisenhower and Churchill. In 1953, arch-fixer Bernard Baruch arranged a meeting between the new President and Churchill, in an attempt to win Eisenhower over to a "special relationship." The attempt foundered miserably on the animosity between the American and the imperialist.

Throughout the Eisenhower's first term, strategic conflicts continually erupted. When Eisenhower wanted Churchill to bring together a united Europe, which would eventually take the form of the Common Market and other institutions, Churchill opposed it. When Ike sought to negotiate separately with Germany and France, and end the special relationship, Churchill fought him bitterly.

However, the real test came over British foreign policy, specifically colonial policy. Citing the correspondence brought to light by Peter Boyle (*The Churchill-Eisenhower Correspondence, 1953-55*), Best admits that the confronta-



*Churchill inspects a half-naked, but properly respectful British soldier of the Egypt-based Western Desert Force in 1942. His ideal for an expanded British Empire, which he called the "Union of English-Speaking Peoples," is the basis for today's U.S. war policy in Iraq.*

tion between the two nations was continuous. Eisenhower wanted to provide both military and economic aid to Egypt in this period, and Churchill moved to block him. In their letters, they interwove discussions of Middle East affairs and China. Their opposition would reach its high point in the Suez Crisis in 1956.

But, in a truly remarkable exchange of letters in 1954, Eisenhower proposed to Churchill a program for the latter to end colonialism, and leave office, in a way that would be "electrifying." Despite Eisenhower's failure to recognize the fallacies behind the Cold War, he did understand that promoting legitimate nationalist struggles was in the interest of the United States and its allies. In a long letter in the Summer of 1954, Ike suggested that Churchill begin the process of stepping down as Prime Minister, with a proposal to bring colonialism to an end over the next 25 years.

The President wrote: "My mind has been turning toward an exploration of other possibilities by which you could still give to the world something inspiring before you lay down your official responsibilities. It should be something that would so well serve the cause in which we believe that it would indeed be considered one of your finest contributions.

Another factor to be considered is that in far too many areas the Kremlin is pre-empting the right to speak for the small nations of the world. We are falsely pictured as the exploiters of people, the Soviets as their champion.

“I suggest to you a thoughtful speech on the subject of the rights to self-government, so vigorously supported in our recent joint communiqué. . . .

“Colonialism is on the way out as a relationship among peoples. The sole question is one of time and method. I think we should handle it so as to win adherents to Western aims.

“We know that there is abroad in the world a fierce and growing spirit of nationalism. Should we try to dam it up completely, it would, like a mighty river, burst through the barriers and could create havoc. . . . We must prove that the obstacles that now prevent self-government in certain regions genuinely concern the free world and engage our earnest purpose to work for their elimination. . . .

“A speech on the matter—and no other could so well do it as you—should deal with the need for education and announce the cooperative purpose of great nations in the Western World to bring educational opportunities to all peoples we are able to reach. . . .

“The talk would not, of course, ignore the economic requirements of independent existence and would certainly dwell at length upon the advantages of free association and voluntary agreements in order to promote the freest and most fruitful kind of commerce . . . and it would discuss self-rule; internal and external security; the promotion of *health* and the *general welfare* (emphasis added. . . . It should announce a certain time limit. . . . Our nations plan to undertake every kind of applicable program to insure that within a space of 25 years (or some other definite date) all peoples will have achieved the necessary political, cultural, and economic standards to permit the attainment of their goals. . . .

“If you could say that 25 years from now, every last one of the colonies should have been offered a right to self-government and determination, you would electrify the world.”

Churchill was less than enthusiastic, even though Eisenhower had suggested that, in all probability, no colony would really grab at the chance for independence. Churchill’s response was quite defensive, with effusive praise of the British handling of India, and the other colonized nations. “The sentiments and ideas which your letter expresses are in full accord with the policy now being pursued in all the Colonies of the British Empire. In this I must admit I am a laggard. I am a bit sceptical about universal suffrage for the Hottentots even if refined by proportional representation. . . . I certainly shall have to choose another topic for my swan song: I think I will stick to the old one ‘The Unity of the English-Speaking Peoples.’ With that all will work out well.”

### **Churchill’s Outlook—Synarchy in Power**

Lyndon LaRouche’s quick summary of the Churchillian mind-set clearly holds true, that Churchill never disagreed

with Nazi policies, but preferred not to salute a German King, simply to have the world bow down to the English one. All of his books personified the British imperial mind-set, from the history of the Marlboroughs to the Second World War volumes. Some of these made an attempt to be true to history, if only to glorify the author. However, his most notorious work, the *History of the English-Speaking Peoples*, was largely fiction, aimed solely at recruiting gullible Americans to save the flagging British Empire from its impending demise. Whole sections of the book were simply written off the top of his head, as even Best admits, although Best never sees the evil intent behind the creation.

Churchill’s close friends and admirers number many of the key players in the growing post-war Synarchist grouping. Several stand out. A key collaborator throughout his life was Max Aitken, the notorious Lord Beaverbrook, press lord and Nazi sympathizer, who both supported Churchill and promoted him in the media.

Bernard Baruch was Churchill’s financial advisor and ally from their first meeting at the Versailles Peace Conference in 1919. Baruch, a Jewish descendant of KKK parentage from South Carolina, ran a continuous inside wrecking operation against the Democratic Party, and against Roosevelt in particular. He promoted fiscal austerity for the masses, and ever increasing power for the most degenerate elements in both the military and Synarchist bankers in the post-war era. It was Baruch’s affiliation with this confrontationist machinery that prompted President Eisenhower to attack the “military-industrial complex” in his final address to the nation. He later said that he was referring to Baruch personally, and his allies.

One of Churchill’s key operators inside the United States, spying on all aspects of American life during World War II, and reporting directly to Churchill, was Isaiah Berlin. Berlin ghostwrote many of Churchill’s books, wrote his own paeans to Churchill, and became a leading spokesman and organizer of the Congress for Cultural Freedom (CCF), which LaRouche has identified as the most powerful force in destroying the culture of the United States over the past 50 years. Churchill’s articles appeared in the first issues of *Der Monat*, the CCF flagship publication in Berlin.

In his later years, Churchill was supported financially by the entire Synarchist crowd. Trust funds and sinecures were arranged by the likes of Lord Camrose, James Rothschild, J. Arthur Rank, and others. His biggest financial supporter was Synarchist operative Henry Luce, who paid handsome amounts to publish all of Churchill’s works in *Life* magazine. In 1946 he gave Churchill \$1 million for serializing his memoirs.

Contrary to the imperial ideal of Winston Churchill and his U.S. Utopian followers today, the United States does not need to be a “cock-boat in the wake of a British man o’ war.” And to paraphrase Niall Ferguson, it’s time for American citizens to “get real” and dump the imperial legacy of Winston Churchill, once and for all.

# Italian Senators Demand Lift 9/11 Secrecy

by Paolo Raimondi

*On May 19, Italian Senator Oskar Peterlini and 16 other Senators signed a Parliamentary Inquiry (Interrogazione Parlamentare) addressed to Prime Minister Silvio Berlusconi, demanding that he inform the Parliament and the Italian nation on the content of the Bush-Cheney memorandum containing the "evidence" on who committed the 9/11 terrorist operation and why, which was used to convince nations such as Italy to participate in the war in Iraq.*

*The motion's signers represent the opposition parties, Democratici di Sinistra (DS), Margherita, Verdi, Autonomie-SuedTyroler Volkspartei, Communisti Italiani. Also signing were three Senators of the Unione Democratica Cristiana (UDC), which is part of the government coalition. The text of the Parliamentary Inquiry was written in collaboration with Paolo Raimondi, President of Movimento Solidarietà, the organization of LaRouche collaborators in Italy.*

*Here is a translation of the Parliamentary Inquiry, which can be found in the original on the Senate website and can be read in the Parliament's Gazzetta Ufficiale for May 19, Session N. 609.*

*Prime Minister Silvio Berlusconi is asked to deliver a written answer.*

## **Whereas:**

The horrible terrorist attack of September 11 against the Twin Towers in New York and the Pentagon headquarters in Washington signified a fundamental political and strategical change in the life of all the nations; some American groups, but also with connections in Europe and internationally, now known as the "neo-cons" with Dick Cheney, Paul Wolfowitz, Richard Perle and others at the top, immediately thereafter called for a mobilize in the context of a "clash of civilizations." The Bush-Cheney Administration at the same time declared a "global war against terrorism" which was to be conducted with preventive wars against Iraq and other "rogue states" that allegedly support terrorism. To get the allies in line, Washington had sent to all their governments documentation on 9/11, evidence immediately classified as secret by all the governments that received it. On the basis of these elements the Italian government also joined the global war against terrorism and supported the American invasion of Iraq.

The year after the military intervention, the failed pacifi-

cation of Iraq and the expansion of international terrorism have created a dramatic worsening of international security. It is now proven that the story of the uranium from Niger with which Saddam Hussein could have built nuclear weapons is false. It suffices to report the testimony of American Ambassador Joe Wilson, who was sent by the U.S. Administration to Niger in February 2002, to verify the case, in which he publicly declared that he did not find any evidence of the supposed uranium transfer and that he had informed the authorities of Washington, Dick Cheney *in primis*, who completely ignored the report. The dossiers on the weapons of mass destruction have not found any confirmation; even after the military intervention, the elimination of Saddam, and the occupation of Iraq, no evidence of such weapons of mass destruction has been discovered. Bush, Cheney and Blair had supported this argument to overcome the resistance of the European and Arab governments to the necessity of preventive war. U.S. Secretary of State Colin Powell on May 5, 2004, told the American magazine *Gentlemen's Quarterly*, that if he had known that these facts were baseless, he would not have given the famous speech at the UN on February 5, 2003 (he characterized it as "smear on his career"), which gave the final green light for the war mobilization.

It is coming out now, that for almost one year the American government kept silent on the dimensions of the torture perpetrated in Iraqi jails against prisoners, men, women, religious leaders, many of whom died as a result of the brutal torture. As of April 2004, a Commission [established by] of the American Congress on September 11, chaired by the Republican Tom Kean and the Democrat Lee Hamilton, began operations, trying to establish the truth and the responsibilities behind the brutal terrorist and criminal act, because the families of the victims, human and civil rights organizations, and also political and military layers are not satisfied with the officially given explanations. Serious inactivity and negligence, for the moment, have resulted from the behavior of Cheney and John Ashcroft, American Attorney General. The former White House adviser for antiterrorism in 2001, Richard Clarke, later fired from this post because he had said several times that Iraq had nothing to do with 9/11, testified on how Cheney, before the terrorist attack, did not organize a single meeting of his task force after May 2001, when he was assigned to deal with terrorism and homeland security. Thomas Pickard, Director *ad interim* of the FBI, who in the June-July 2001 period had personally given seven or eight intelligence reports to Ashcroft, has also testified that the Attorney General, after the first two meetings, told him that he no longer wanted to hear reports concentrating on the terrorist danger.

## **We inquire:**

Whether the time has not come to inform the Parliament and the nation on the 9/11 documentation given by the American Administration and therefore lift the secrecy on the received information.

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## Editorial

### *The LaRouche Factor*

The rafters are shaking in the house that the neo-cons built, and that endangered species is not at all confused about who is behind their troubles. The de facto Cheney agents in the Democratic Party may have been able to squelch a visible role for Lyndon LaRouche in the Democratic Party primary process, but they have been unable to prevent LaRouche's effective collaboration with institutional forces around the Presidency, to wage relentless, and increasingly effective war against the Cheney faction in the Administration. LaRouche has outflanked them once again.

LaRouche laid out his strategy, and announced his candidacy, in the period immediately before President Bush was inaugurated in January 2001: First, build up his base within the Democratic Party; and, second, set into motion an effort to stop the war which puppeteer Dick Cheney was inducing the President to launch.

In both cases, however, LaRouche did not simply mobilize to win support, although he wished to do so. He was out to set traps. In the case of the Democratic Party, if the officialdom continued to exclude him, it would be exposed as utterly irrelevant to the welfare of the majority of the party base, which would then be impelled toward him as the inevitable financial and war crises hit. In the case of the war, if the Administration went ahead, it would fall into a trap that would ultimately destroy it—just as Napoleon did when he invaded Russia all the way to Moscow.

Now, in both cases, LaRouche's adversaries have fallen into the trap, and LaRouche is in a position where, with his allies, he can take the action necessary to finish them off.

Clearly, the situation around Cheney is now a pitched battle, in which the Cheney coterie is on the defensive. From the point when LaRouche called for the Vice President's removal back in September 2002, a virtual army of retired military men, intelligence officers, diplomats, and others has been built up to wage war against the pernicious role Cheney is playing. Whole sections of the Vice-President's machine are now totally discredited, and/or scrambling to get lawyers to defend themselves against criminal charges.

And, if you ask just about anyone in the know in Washington, they'll tell you that LaRouche gets the credit for having led, stoked, and relentlessly continued the fight.

Thus, what do you think the result will be if and when the Cheney forces decide to try to fight back, by attacking LaRouche publicly? Basically, this will create the blowback effect of increasing LaRouche's influence among patriotic circles even more.

It's already begun to some extent. The website of the *London Guardian* and others have begun to write articles attempting to discredit the torrent of scandals hitting Cheney, Chalabi, and the nest of Straussian liars in the Administration, on grounds that the exposés were somehow influenced, or orchestrated by LaRouche. This effort has not worked to stanch the attack on the neo-cons; it simply testifies to the fact that they are extremely worried about the threat that LaRouche's collaboration with other forces represents.

On the Democratic Party side of events, the Cheney forces may believe they have the situation more under control. Cheney knows full well, of course, that had LaRouche been given his proper place in the party, the steamroller for Cheney's removal would have already done its work. He depends a lot on *his* Democrats—the ones who exclude and slander LaRouche.

But, as LaRouche anticipated, the more successful the DNC crowd was in suppressing him officially, the more the officially sanctioned Democratic candidate, Kerry, would discredit himself. That process is now presenting the party with the choice of either bringing in LaRouche, or facing a road to defeat in the fall elections.

Just as LaRouche made history in the early 1980s with his role in establishing the SDI, so he is playing the pivotal role today in preparing the forces for a winning battle against the Cheney synarchist forces, and their banker backers. Those who wait to see the story in the headlines, are going to see it much too late. Those who want to help free the world from Cheney, and create the basis for a new FDR policy, will join now with LaRouche.