

[return to home page](#)

This Week You Need To Know

Wall Street May Lose Bet on Bush To Loot Social Security

by Paul Gallagher

In an unprecedented mobilization of the kind which did not occur during the 2004 Presidential election, virtually all Democratic Senators and Representatives are holding town meetings in their districts during February, against President George W. Bush's scheme to loot Social Security. In Michigan, 15 town meetings are being held by Representatives Sander Levin, Debbie Stabenow, John Dingell, Carolyn Kilpatrick, and state constituency groups; five Ohio Representatives are holding another dozen. One said, "I think we're going to beat Bush on this; we've gotten 2,700 letters against it, and one phone call for it."

The unified mission of all these Democrats is clear—defeat Bush's Social Security theft, the top-priority mission Lyndon LaRouche laid out for the Democrats last Dec. 16. Their town meetings' open-debate character contrasts with the careful pre-screening of audiences for Bush's Social Security privatization meetings. Congressman Jim Moran's Feb. 7 public meeting in Alexandria, Virginia, for example, was attended by nearly 400, including some who supported Bush's privatization scheme, while most backed Moran's strong opposition. When Moran raised the key question—"Why is Bush trying to dismantle Social Security?"—LaRouche Political Action Committee activists were able to answer it: Because in a dollar crash, Wall Street is demanding that markets be propped up by the world's largest cash flow.

The Democrats' united mobilization has been overcoming the President's. Bush's first barnstorm tour, right after his State of the Union speech, tried to target "vulnerable" Democrats to support him. But those Democrats, backed by their own constituency meetings, like Sen. Max Baucus's Feb. 5 Montana town meeting of 350, did not bend. In the second week of February, the White House found itself targetting dissenting Republicans instead! When the Wall Street-funded Club for Growth began its \$10-15-million TV ad campaign for privatization on Feb. 9, the first Congressional districts targetted by the ads were those of Republicans—Sherwood Boehlert of New York, Joseph Schwartz of Michigan, and Lincoln Chafee of Rhode Island. Bush himself, by Feb. 10, was hitting Pennsylvania to try to get cooperation from Senate Republican leader Arlen Specter. Republican Rep. Ginny Brown-Waite of Florida, after hosting the President for a meeting in her district, publicly refused to support his looting scheme.

Hanging over the Republicans is Vice President Cheney's Feb. 6 Fox TV statement ("it will cost trillions"); OMB Director Joshua Bolton's admission to the House Ways and Means Committee on Feb. 8 that Bush's scheme would cut Social Security revenues below required benefit payouts "within the next decade"; the Bush 2001 Commission's plan for benefit cuts of 20-45% over coming decades; and the public's clear fear of Wall Street "Enron-omics." As of Congress's first full week ending Feb. 11, the Bush drive for privatization was stalled because Republicans were pleading for "more specifics" from the White House, which could not, and said it would not, give them. Senate Finance Committee chairman Charles Grassley of Iowa told Treasury Secretary John Snow on Feb. 9 in the Senate, "We are not in a position to force through the President's agenda."...

InDepth Coverage

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Feature:

[Using the Vernadsky Principle To Save The World Economy](#)

[by Nancy Spannaus](#)

To those policymakers and statesmen not deluded by the self-consoling press releases and fraudulent statistical reports put out by economic 'experts' in the Bush Administration, and in the main international financial institutions, the current condition of the world financial system has reached the stage of 'red alert.' Even public statements about the unsustainability of the United States' current account deficit and budget deficit, such as that given by former U.S. Treasury Secretary Robert Rubin at a London banking conference on Feb. 4, are sufficient to push a panic button for the banking community. Under these conditions, discussion of abandoning the floating-exchange-rate system which replaced the Bretton Woods arrangement back in 1971, has begun to surface.

[Current Strategic Studies: The Vernadsky Strategy](#)

[by Lyndon H. LaRouche, Jr.](#)

April 26, 2001

As I have stressed repeatedly, there are only three present cases of national cultures which are capable of conceptualizing the initiation of global solutions for such current global problems as the presently accelerating collapse of the world's present financial system. Once again, these are the U.S.A., Russia, and the British monarchy. Given that Olympian tragedy popularly known as the U.S. Bush Administration, only some combination of cooperating states of Eurasia which includes Russia and western continental Europe, is presently capable of cultivating the kind of initiative urgently needed today.

[Principles of Physical Economy](#)

[Eurasian Infrastructure And the Noösphere](#)

[by Jonathan Tennenbaum](#)

The following speech was given by Dr. Tennenbaum, Schiller Institute science advisor, to a conference sponsored by the Vernadsky State Geological Museum and the Schiller Institute in November 2001, in Moscow. The title of the conference was 'The Realization of the Concept of the Noösphere in the 21st Century: Russia's Mission in the World Today.'

- [Appendix: Vernadsky and the Future of Biophysics](#)

[by Jonathan Tennenbaum](#)

We here publish an English translation of a little-known article by the great Russian-Ukrainian naturalist and founder of the science of the biosphere, Vladimir Ivanovich Vernadsky (1863-1945), which was printed in 21st Century Science & Technology, Winter 2001-02. Written in 1938, the article addresses one of the most central issues in natural science, and one of immediate relevance to potentially revolutionary research now going on in biophysics and related areas today.

[The Biosphere and The Noösphere](#)

[by Vladimir I. Vernadsky](#)

The following is excerpted from an article written in December 1943, and published in English in the American Scientist, January 1945. It is reprinted here by permission from the publisher. The article was translated from the Russian in the main by Dr. George Vernadsky of Yale University, with interpolations provided here by Rachel Douglas of EIR, translated from the Russian edition contained in Vernadsky's book *Biosfera* (Moscow: Mysl Publishing House, 1967). Footnotes have been omitted.

Living and Nonliving Bodies of the Biosphere

by Vladimir Ivanovich Vernadsky

The following is the opening section of a 1938 article by Vernadsky. The full title is 'Problems of Biogeochemistry II: On the Fundamental Material-Energetic Distinction Between Living and Nonliving Natural Bodies of The Biosphere.' Parts II and III can be found in the Winter 2000-01 issue of 21st Century Science & Technology. See www.21stcenturysciencetech.com.

Economics:

LaRouche Youth Campaign To Reindustrialize Germany

The dynamic political force which led to the restarting of 'Monday Demonstrations' against economic tyranny in Germany in the Fall of 2004, has gone into action again. When Helga Zepp-LaRouche and the LaRouche Youth Movement started up weekly demonstrations in July 2004, the point of mobilization was the government's pending program for drastic cuts in unemployment insurance, called Hartz IV. The failure of the Social Democrats to take up Zepp-LaRouche's call for creating 8 million new jobs, and restarting the economy with government credit, resulted in the Hartz IV plan going ahead in January 2005.

Interview: Nino Galloni

The Pension System Must Be Tied to the Productive Economy

Nino Galloni is a well-known Italian economist, who served as a high-ranking official in several government ministries, dealing with economics and labor issues. He is currently the auditor of INPDAP, the main institute coordinating pension funds for public-sector retirees in Italy. Mr. Galloni took part in EIR's Jan. 12-13 seminar in Berlin. He was interviewed in Rome by Paolo Raimondi, and the discussion has been translated from Italian. Galloni began with some introductory remarks.

- **Mexican Trade Unionists Support LaRouche Effort**

On the final stop of his three-city tour of Mexico, EIR's Will Wertz addressed a breakfast meeting in Queretaro, Feb. 2, organized by the LaRouche movement in Mexico, which included about 35 trade unionists and other state leaders. At the conclusion of the meeting, many of the trade unionists and others signed the following open letter, addressed to the LaRouche Political Action Committee...

Australia Dossier: Australia Ravages Timor-Leste

by Robert Barwick

In stealing oil and gas revenues, Australia commits genocide against the world's poorest nation. The Australia-based energy company Woodside Petroleum, 34% owned by Royal Dutch Shell, announced on Jan. 13 that it had stopped work on the Greater Sunrise natural gas project in the Timor Sea, citing 'legal and fiscal uncertainty.' This followed the refusal of the Government of Timor-Leste (East Timor) to ratify a 2003 agreement with Australia, signed under duress, which divided revenue from Great Sunrise, 80 to 20 in Australia's favor. By international law, the field lies entirely in Timor-Leste's territory. [\(See EIR, Jan. 14, 2005.\)](#) The stakes are huge: Greater Sunrise has reserves of 300 million barrels

International:

Sharm el-Sheikh Summit:: The Calm Before a New War?

by Dean Andromidas

If the conference of Middle Eastern leaders held at Sharm elSheikh on the Egyptian Sinai Peninsula on Feb. 7 does not herald the dawning of a new era of peace, it could be the calm before a new war. Statements by Israeli Prime Minister Ariel Sharon and Palestinian President Abu Mazen (Mahmoud Abbas) vowing an end to violence, do not make for a peace conference.

Iran Is Not, Must Not, Be Another Iraq

by Muriel Mirak-Weissbach

If the Bush-Cheney Administration wants to target Iran as the next 'outpost of tyranny' to be 'liberated,' as President Bush reiterated in his State of the Union address, it will have to fly in the face of the opposition of the rest of the world (with the exception of Israel).

China and India Aim To Extend Cooperation

by Ramtanu Maitra

The first-ever strategic talks between India and China, which took place in New Delhi on Jan. 24-25, were the outcome of years of efforts by these two largest Asian nations 'to take bilateral engagements into a long-term and strategic relationship.' Chinese Vice-Minister of Foreign Affairs Wu Dawei, who is also involved in the six-party talks on North Korea's nuclear program, and Indian Foreign Secretary Shyam Saran raised hopes that the two would begin to position their bilateral relations in the context of broader regional and global perspectives.

Outflank the Push for Colombia-Venezuela War

by Maximiliano Londoño Penilla

This statement was issued by the president of the Lyndon LaRouche Association in Colombia.

The recent conflict between Colombia and Venezuela, is a typical example of a border conflict manipulated from abroad, which could set off an absurd and fratricidal war. This conflict was triggered by the capture of Rodrigo Granda, a high-level member of the anti-government and pro-drug-production guerrilla group, Colombian Revolutionary Armed Forces (FARC), who reportedly was handed over to Colombian authorities by Venezuelans who pocketed a bounty that had been offered by the Colombian government. The Venezuelans, on the other hand, charged that he was kidnapped by Colombians operating inside Venezuela, with the collaboration of bribed Venezuelan national guardsmen.

Russian Diplomat On FDR Post-War Design

by Mary Burdman

The Feb. 11, 1945 Yalta summit among President Franklin Delano Roosevelt, Soviet leader Joseph Stalin, and British Prime Minister Winston Churchill 'could have become a new chance for the world,' Russian Professor of History Valentin Falin said, in an interview with RIA Novosti on the 60th anniversary of the summit. Speaking with Novosti military commentator Viktor Litovkin, Falin emphasized Roosevelt's commitment to work with Stalin and the Soviet Union, which was closer than his commitment to Winston Churchill. Falin's conclusions are based, he said, on the memoirs of FDR's Secretary of State, Edward Stettinius, Jr., an influential industrialist, who was at Yalta.

Berlin Seminar Debates UN Role in 'Westphalian' Community of Nations

by EIR Staff

In Berlin on Jan. 12-13, some forty participants from Eurasia, the United States, and Africa met at an EIR-sponsored seminar, on the theme 'Dialogue of Civilizations: Earth's Next Fifty Years.' The meeting was keynoted by Lyndon H. LaRouche, Jr., who called for a revived 'Peace of Westphalia' —a dialogue of civilizations that would place a perspective for 50 years of Eurasian economic development at the center of efforts for world peace. Like the 1648 Treaty of Westphalia which ended Europe's Thirty Years' War, the approach today to ethnic, religious, and regional strife must be based on the principle of each party enhancing 'the advantage of the other': wiping the slate clean of the cycles of revenge and counter-revenge that plague the Israel-Palestinian conflict, the wars in Africa and the Balkans, and many other locations.

National:

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by Paul Gallagher

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Bush Budget Proves Greenspan Is a Liar

by Carl Osgood

Just days before the Bush Administration released its Fiscal 2006 budget, Federal Reserve Chairman Alan Greenspan, from London Feb. 6, told the world's financial markets that the United States has found the definitive solution to its twin deficits—trade and the Federal budget. He hailed the supposed effect of the declining dollar on U.S. exports, and intoned that 'market pressures appear poised to stabilize, and over the longer run possibly to decrease the U.S. current account deficit.' That, with the new fiscal restraint which has supposedly emerged in the Bush Administration, made the budget deficit as good as under control, spoke Sir Alan.

Dems Demand: Give Veterans Healthcare; Cancel Bush's Cuts

by Marcia Merry Baker and Judy DeMarco

In May 2004, the Bush Administration, through the Office of the Secretary of Veterans' Affairs (VA), released plans for downsizing the already over-loaded national Veterans Affairs medical system, despite the dramatic need for just the opposite—its major expansion. In particular, as of 2004, the VA was bearing the triple burden of the war-wounded from Iraq and Afghanistan, the growing number of untreated and uninsured veterans from Vietnam and Gulf War-era service, and the growing ranks of homeless vets as the economy worsens.

As Torture Accounts Proliferate, Senators Seek Independent Commission

by Edward Spannaus

A group of twelve Democratic Senators has introduced legislation which would require the United States to adhere to the minimal standards of treatment defined in the Geneva Conventions, for all persons detained in the war on terrorism. The bill would also create an Independent Commission to investigate how the Administration's policies on treatment and interrogation of detainees were developed.

U.S. Economic/Financial News

Prominent Economist Warns of Currency and Oil Shock

In a presentation to the Council on Foreign Relations Feb. 11, economist C. Fred Bergsten laid out a scenario for dealing with an expected world monetary crisis and oil-price shock. He included a critique of the Bush Social Security reform as not strong enough in forcing savings, and proposed that the sales pitch for reform must link the issue to the international economic crisis.

Bergsten is Director of the Institute for International Economics, the chairman of the "Shadow Group of 8," and a former U.S. Treasury official. His proposals came in a colloquy with moderator Peter G. Peterson, President of the Concord Coalition. Bergsten's remarks give an idea of the thinking of certain top levels in the financial community who are admitting the prospect of an imminent crash. Bergsten's remarks included the following:

"We focus [in our new book] on a series of immediate problems, to which we would attach a great degree of urgency, ... one which you mentioned, the current account deficit, and a possible sharp fall of the dollar; and the other of the new sharp rise in energy prices. We think energy prices can easily go back up to \$60 or \$70 a barrel. If that combines with the sharp fall of the dollar, you could have a vicious scenario of a sharp spike in inflation, a rapid rise in interest rates, and a sharp turndown in the economy. It was a combination of those two things— ...higher oil prices and a falling dollar—that ... in the late 1970s produced the worst period for the American economy since the 1930s: double-digit inflation, 20% interest rates, the sharpest recession since the Great Depression. I hasten to say I don't think things will get that bad this time, but the combination of those two immediate risks implies moving in that direction....

"The most urgent of the problems I think is ... the risk of a sharp fall in the dollar. The latest numbers suggest the U.S. current account deficit has now risen to about 7% of our GDP, well over \$700 billion a year at an annual rate....

"The previous peak, which led to a decline of the dollar by 50% in two years in the middle '80s, was just under 4% of GDP.

Now we're at 7. And, even more importantly than the level, rising by about \$100 billion a year. We are on a trajectory that is not only in unsustainable and unprecedented territory now, but is rising even more into terra incognita.

"Catherine Mann [ph] in our institute ... has recently updated her projections, and suggests another \$100 billion per year into the foreseeable future. In short, when Chairman Greenspan tried to paint a rosier picture on this last Friday—I understand why he did it—I do not believe it. The outlook is not for a turnaround or even a leveling off; it's for getting worse."

U.S. Trade Deficit Hits All-Time High

The figures for the U.S. annual trade deficit rose to an all-time high of \$617.7 billion in 2004, up a whopping 24.4% from the previous record set in 2003. Imports of food products hit a record, resulting in a deficit for the third straight year; while imports of foreign autos, industrial supplies, and consumer goods all set records, according to the Commerce Department. Fed Chairman Greenspan had said the gap would fall.

Democratic Sen. Jack Reed (R.I.), a member of the Joint Economic Committee, blamed the Bush Administration's "reckless fiscal policies," and warned of a sharp fall in the value of the dollar. "The Bush Administration's huge Federal budget deficits encourage us as a nation to spend more than we earn and to pay for our excess imports with IOUs. If foreigners stop accepting our IOUs, we will face a sharp drop in the dollar, greater inflation, a sharp rise in interest rates, and ultimately a weaker economy," Reed said in a Feb. 10 statement.

House Democratic Leader Rep. Nancy Pelosi (Calif) pointed to de-industrialization. "The trade situation is ... undermining our manufacturing base, the industrial base in our country. It becomes a question of our national security."

House Committee Holds Hearings on Flu Vaccine Supply

As the flu season takes hold, the good news is that it appears to be relatively normal and mild, although fewer Americans over 65, the highest risk group, were vaccinated than last year. In this context, the House Government Reform Committee convened a hearing Feb. 10 on the question of the flu vaccine supply. The hearing, titled, "Government Reform to Examine Management of U.S. Flu Vaccine Supply," took testimony from the Director of the Centers for Disease Control and Prevention, Dr. Julie L. Gerberding, and Dr. Jesse L. Goodman, Director of the Center for Biologics Evaluation and Research, Food and Drug Administration. The hearing was called to cover lessons learned from the sudden lack of half the expected vaccine supply for this current flu season, and how to plan for future needs for flu vaccine. But the question remains: Without regulation, how can you expect to have any reliable companies, and production of vaccines?

Ranking Democrat Henry Waxman (Calif) has released new information on the history of the Liverpool plant—PowderJect Pharmaceuticals, which the FDA approved in June 2003 for Chiron, its new buyer, to use to make vaccine for the USA for the 2004-2005 flu season. It turns out that the FDA has in its possession, reports from previous years, documenting deficiencies in the Liverpool facility, and in its vaccine products (lack of potency; incorrect labelling), which were ignored by the FDA and HHS!

Gerberding reported that many older Americans are foregoing flu shots this year. Only 59% of Americans 65 and older had been vaccinated as of December, in contrast to 65.5% in 2003. About 90% of the 36,000 flu deaths annually, occur in this upper age bracket.

New York Times Blasts Bush Administration Medicare Lies

In its Feb. 10 editorial, the *New York Times* called the Bush Administration's figures on Medicare intentionally misleading. Beware of Bush Administration figures for their new programs, cautioned the editorial: "The math isn't just fuzzy, as the current euphemism would have it—it is often downright misleading, and deliberately so." The latest case is the Medicare bill, which the Administration now admits will cost nearly \$1 trillion, about twice their estimate when they "bulled through Congress in late 2003 over the objections of conservatives who railed that the price tag would be too high." The *Times* (although weakly) hints at the fact that the bill is nothing but a drug company subsidy, by noting that "Congress went out of its way to deny Medicare officials the right to negotiate for lower drug prices from manufacturers. That was a mistake when the costs were projected at \$400 billion. It is doubly disastrous at \$720 billion."

The *Times* also draws the parallel to the Social Security lies and the lies on Iraq: "The administration is trying a similar dodge in its efforts to sell the idea of converting part of Social Security to private accounts. Those accounts are a bad idea on the merits, but even many who might be inclined to support them are fearful of the enormous transition costs, which could exceed a trillion dollars over the first 10 years of the program. So the administration has conjured up a more palatable number. By delaying the new accounts until 2009, it is able to project that costs over the 10-year period from 2006 until 2015 will be \$754 billion. That presents less of a target than a trillion-dollar bull's-eye, but all it does is delay the real accounting.

"Any resemblance to pronouncements on Iraq is probably not coincidental."

Senators Introduce 'Resolution of Disapproval' on Cattle Import Policy

Senators from five states introduced, Feb. 10, a "resolution of disapproval" of the Bush/U.S. Department of Agriculture plan for resumption of Canadian cattle and beef imports. This type of action, if passed, will nullify the USDA's Dec. 29th administrative ruling to reopen the border March 7. The Resolution was entered by Sen. Kent Conrad (D-N.D.), and endorsed by eight others, including Senators from Wyoming, Montana, Colorado, South Dakota, and New Mexico. Conrad called it "outrageous" that the USDA is going ahead with cattle and beef trade with Canada, "a country known to have mad cow [disease] in its herd and a record of failure in its attempts to ban illegal feed."

The Feb. 10 initiative is a strong, public action of opposition to Bush, and also targets the "Big Beef" cattle and meatpacker cartel behind Bush.

The Senators' action came one day after Agriculture Secretary Mike Johanns backed down on part of the USDA demand to renew imports; Johanns announced that Canadian-processed beef imports into the U.S., instead of being allowed from animals of any age (as allowed in the Dec. 29 USDA ruling), could come from only animals under 30 months (likely to have less risk of BSE presence, because they are young, and less exposed to potentially tainted cattle feed).

Johanns was caught out on this specific question of beef imports last week, at the Feb. 3 Senate Agriculture hearing. Namely, several Senators pointed out vehemently, the "inconsistency" (in actuality, on behalf of the cross-border cartel meatpackers, like Tysons, Cargill, et al.) that the USDA proposes opening the border March 7 to Canadian live cattle coming into the U.S. for slaughter, only if the animals are under 30 months old; but the border was to be opened to beef processed in Canada, from animals of any age.

World Economic News

European Central Bank Fear Burst of Housing Bubble

In its latest monthly report, the ECB points to the rapid growth of money supply in the Eurozone which has led to the

accumulation of significant "excess liquidity." The annual growth rate of the M1 money aggregate averaged 9.0% during the fourth quarter of 2004. In particular private households are piling up more debt. In December 2004, the annual growth rate of loans to households reached 7.8%, while lending for house purchase increased by an annualized rate of 10.0%. The ECB summarizes: "The very low level of interest rates is also fueling private sector demand for credit. Growth in loans to non-financial corporations has picked up further in recent months. Moreover, demand for loans for house purchase has continued to be robust, contributing to strong house price dynamics in several parts of the euro area. The combination of ample liquidity and strong credit growth could, in some parts of the euro area, become a source of unsustainable price increases in property markets." Of particular concern in the Eurozone, which excludes Britain, are the housing markets in Spain and France.

On Feb. 9, ECB chief economist Otmar Issing was interviewed by the German financial daily *Boersenzeitung*. One of the main issues was the threat to the European economies posed by the bursting of real estate bubbles. Issing was asked whether the ECB shouldn't increase its interest rate to stop these bubbles from growing. Issing responded, that the ECB of course could prick speculative bubbles. But the required sharp increase of interest rates would at the same time cause "severe damage" to the real economies.

Further Dollar Weakness Could Sink Latin American Debtors

That is the evaluation of the British rating agency Fitch in a report published the second week of February. As a consequence of the "new economy" crash on stock markets, and historically low yields on government bonds, investors in recent years have channelled vast amounts of liquidity into every available high-yield (and at the same time high-risk) market. One of these areas is emerging market debt, that is bonds issued by governments in the developing sector.

In its report, Fitch develops a scenario which it describes as the biggest threat to emerging market debt prices in the coming months. The scenario starts with another sudden decline in the U.S. dollar. This would trigger an unexpectedly sharp rise in U.S. interest rates. Investors then would demand even much higher returns on risky debt. This, says Fitch, could then fuel turbulences in emerging market bond prices, which last year rallied strongly. While most of the Asian debtors seem to be shielded from such turbulences by their large currency reserves, the situation is quite different in Latin American countries. Fitch names Ecuador, Uruguay, Brazil, and Colombia as those countries that would suffer most from a steep rise in U.S. interest rates.

United States News Digest

GOP Threatens TV Stations Over Ads

MoveOn.org has been running television ads in Indiana, Florida, and Pennsylvania, showing an elderly worker, and stating that President Bush's plan would cut Social Security benefits "up to 46%," and could force many Americans into "working retirement." The Republican National Committee moved to stop the ads, saying the cuts wouldn't affect those who are already retired, but not denying the cut levels of 46%. On Feb. 4, an arrogant RNC Deputy Counsel Michael Bayes sent a letter to the managers of all 14 television stations running the ads, demanding that they refuse to put them on the air. The letter is thick with threats: "The sponsor of this advertisement is not a legally qualified candidate, and therefore enjoys no right of access to the airwaves. Your station is under no legal obligation to air this advertisement. Precisely because you are under no such obligation, your station is responsible for the content of the sponsor's advertisement."

It further warns: "As an FCC licensee, you have a responsibility to exercise independent editorial judgment to oversee and protect the integrity of the American marketplace of ideas, and to avoid broadcasting deliberate misrepresentations of the facts.... This letter places you on notice...."

Officials at two stations said they found the wording of the RNC dictats to be threatening. "There was the sense of an underlying threat" to the station's license, said Kevin Sargent, general manager at WSJV-TV in South Bend. None of the stations withdrew the ads.

Unions To File Suit Against New DOD Civil Service Rules

On Feb. 10, Navy Secretary Gordon England and Acting Director of the Office of Personnel Management Dan Blair announced that the new rules for the National Security Personnel System, which was rammed through the Congress in 2003, will finally be published in the Federal Register Feb. 14. England, who is functioning as the Pentagon's executive agent for the new system, told reporters at the Pentagon that the new rules will replace the present 50-year-old civil service system and allow the Defense Department to be much more responsive to the national security needs of the United States. Blair made it clear that this latest step is to "give us much more momentum to reform the entire civil service system," confirming what many have suspected for a long time—that the plan was intended from the beginning to target the entire system, not just employees of selected departments, such as Homeland Security, where new rules have already been published, or the Defense Department.

Central to the new rules, is a system of pay for performance, which England said is necessary to attract and recruit "the best people," who expect to be paid and promoted based on their performance, rather than time in service, which is what the present general schedule system is based on. The Secretary of Defense will be free to impose whatever policies he wishes, on a department-wide basis, without collective bargaining.

The American Federation of Government Employees, with four other unions, responded to the new rules by announcing it would be filing a lawsuit in Federal court to challenge the new rules. "To call this a 'National Security' system is a joke," said AFGE President John Gage. "If anything, the Rumsfeld plan makes the nation less secure." The unions charge the Pentagon did not consult with the unions on the development of the new rules, as required by law. "Instead of working with the longstanding representatives of the military's loyal civilian employees, the Pentagon apparently would rather duke this out in Federal court," said Gage.

New Anti-Iran Front Group Forms

A new front organization, the Iran Policy Committee, has been organized among Establishment hawks to push for "regime change" in Iran. The organization is also pushing to remove the MEK and the National Council of Resistance of Iran (NCRI) from the State Department's terrorist list and to use them as agents of "regime change." In a press conference last week, a member of the Committee presented a policy paper "U.S. Policy Options for Iran."

One of the members, former NSC official Raymond Tanner, is also a member of the Committee on the Present Danger, so there is an obvious interface with them as well as with Frank Gaffney's Center for Security Policy. Paul Leventhal, who heads the Nuclear Control Institute as a nuclear "watchdog," which he founded in 1981, is one of the spokesmen for the new group. In the early 1990s, Leventhal was one of the key players attempting to stop the Clinton Administration from carrying out the nuclear energy cooperation agreement that Reagan had negotiated with China in 1985. Leventhal came to Washington as the press spokesman for the late New York Sen. Jacob Javits (R). Also included on the committee are a number of retired military figures and retired intelligence operatives. One of the half-dozen representatives of the group gathered at last week's press conference,

Maj. Gen. (Ret.) Paul Vallely, obviously a "Dr. Strangelove" clone, and an associate of Gaffney's CSP, explained how the U.S. could shut off the Gulf of Hormuz and, in a variety of ways, cut off the flow of Iranian oil. He also pooh-poohed the problem of deeply buried facilities, by saying the U.S. had the weapons to "shut the cave door" on these facilities. Vallely

indirectly corroborated what Seymour Hersh had earlier revealed in his recent *New Yorker* article, by saying that "the targetting has already been done." When confronted by *EIR* on the cultural shock effect of such a "surgical strike" on the entire Muslim world, Valley backtracked a bit, gruffly insisting that you have to "talk tough" so that the Iranians understand that you mean what you say, trying to insinuate that the idea was not to attack, but to "scare" the Iranians. He also assured his listeners that if military action were taken, they would only aim at "regime targets."

These "strategists" allege that their main task is to help pave the way for "regime change" by the people of Iran. For that purpose, they want to lift the ban on the Iranian Mujaheddin el-Khalq (MEK) and the National Council of Resistance of Iran. While they are prepared to await the result of the present negotiations between Iran and the European Union, as represented by France, Britain, and Germany, they are confident that these will never result in the type of "intrusive inspections" that they insist are needed.

At one point, Leventhal even said that the Tehran regime was the real problem. If it were a "democratic Iran" with nuclear weapons, it would not necessarily be such a threat, but in the hands of the mullahs, nukes are unacceptable. Leventhal reiterated more forcefully what Dick Cheney seemed to say during his Inauguration Day interview with Don Imus: that if the U.S. doesn't disarm Iran, the Israelis will. When asked what they would be looking for before urging a decision to commence military action, Leventhal said, "The bottom line is the possession of highly enriched uranium."

Gonzales Asked To Recuse His Aides

Attorney General Alberto Gonzales has been asked to seek recusal of his three top aides in the Justice Department's investigation of the leak by a Bush Administration official of CIA undercover operative Valerie Plame's identity, an investigation underway since December 2003. Congressmen John Conyers (D-Mich) and Henry Waxman (D-Calif), ranking members of, respectively, the House Committees on the Judiciary and on Government Reform, wrote Gonzales Feb. 8, noting that his recusal of himself would be superfluous if his aides, who went with him from the White House to the DOJ, did not follow suit.

Nuclear Bunker-Buster Proposal Assailed

In a Feb. 8 press release, Rep. Ellen Tauscher (D-Calif) strongly criticized President Bush's request from both Energy and Defense Departments for \$8.5 million for nuclear bunker-buster research. The President has also asked for \$14 million in FY 2007 for the research of the same weapon. "That's a waste of money on a weapon commanders in the field have not asked for, is of highly questionable utility, and may trigger a new global nuclear arms race," Tauscher said.

The nuclear bunker-buster research was included in the FY 2004 budget proposal, but Rep. David Hobson (R-Ohio), chairman of the House Energy and Water Development Appropriations Subcommittee, had cut it off.

There is no doubt that the nuclear bunker-buster research is being promoted to threaten Iran in particular. Reports indicate Iran has hardened its nuclear-enrichment facilities significantly. Bunker busters are designed to penetrate deep into the Earth before exploding, making them capable of destroying "hardened and deeply buried targets (HDBTs)."

One flank used by the Congressmen earlier, in cutting money for the research, is the fact these weapons need testing, violating the Comprehensive Test Ban Treaty. The violation could trigger an arms race by other nuclear powers, such as China, India, and Pakistan.

Reid Demands Bush Call Off the GOP Attack Dogs

Speaking on the floor of the Senate Feb. 7, Senate Minority Leader Harry Reid (D-Nev) said that President Bush had called for bipartisanship, and had even called him after the election to say he hoped they could "get along." Now, the Republican National Committee plans to release a "research document" character attack on Reid. RNC spokeswoman Tracey Schmitt described the document as portraying "the real Harry Reid, ... an obstructionist who is out of the mainstream and we will hold him accountable as the Senate leader of the party of 'no.' "

Reid said Bush should repudiate and pull the "hit piece."

David Kay Warns U.S. Not To Repeat Iraq Mistake in Iran

David Kay, the former top U.S. weapons inspector, who led the search for banned WMDs in Iraq, in an op-ed in the Feb. 7 *Washington Post*, said that while there is no doubt that nuclear weapons in the hands of Iran would be a grave danger, "what is in doubt is the ability of the U.S. government to honestly assess Iran's nuclear status and to craft a set of measures that will cope with that threat, short of military action by the United States or Israel." Citing remarks by Cheney which suggest the United States is gung-ho to go into Iran militarily, Kay said, "Now is the time to pause and recall what went wrong with the assessment of Iraq's WMD program and try to avoid repeating those mistakes in Iran.... It is nonsense to talk about eliminating Iran's nuclear capabilities short of war and occupations." He pointed out that the United States would only invite international derision by relying on Iranian exiles for material to support its case, as it did in Iraq.

America's High Schools Are Failing

A survey of college instructors, employers, and recent high-school graduates finds America's high schools are failing. The survey, conducted by Achieve Inc., a nonpartisan, nonprofit organization, headed by the nation's governors, reveals that "four out of ten high school graduates say they have been inadequately prepared to enter college or hold down a job. College instructors estimated that about two out of five college students were not prepared to succeed in higher education," lacking core skills and knowledge in work habits, ability to read and understand complicated materials, and math, science and writing skills. "Employers surveyed estimated that at least 39% of recent high school graduates lack basic skills to hold down a job."

Ibero-American News Digest

Mexican Labor Supports LaRouche's Battle vs. Bush's Privatization of Social Security

The following statement in support of Lyndon LaRouche's battle against the Bush scheme to steal Social Security, was released Feb. 2 in Mexico, as LaRouche associate Will Wertz toured the country, organizing against privatizing Social Security in either Mexico or the United States.

"We, the undersigned, representatives of labor organizations and citizens of the state of Queretaro, Mexico ... hereby make public our support for the fight and proposals of Lyndon LaRouche to avoid the privatization of social security, which they are trying to implement in the U.S., Mexico, and many other nations." Thus began the statement issued at the conclusion of the conference on "Fascism and the Privatization of Social Security, the Cases of the United States and Chile," held in Queretaro, Mexico on Feb. 2 and addressed by Wertz.

Addressed to the LaRouche Political Action Committee in Washington, D.C., the statement continued:

"That privatization, as well as the so-called 'structural reforms,' should be overwhelmingly rejected for being inspired by

the economic policies of dictatorial and fascist regimes, such as that of Pinochet. What we need today is to rescue the dignity of individuals and of the peoples of the world, which has been violated by criminal austerity policies, and instead, achieve the implementation of the policies of a New Bretton Woods, for the benefit of the nations of the world, as Mr. LaRouche has proposed."

The statement was signed by members of the State Teachers Union as well as several members of the Workers' Party and the National Pedagogical University, and reflected the reaction of the hundreds of labor organizers with whom Wertz met over the course of his trip.

Former BNDES Chief: Brazil Must Change Economic Policy

In a variety of interviews following his ouster in November 2004 as head of the Brazilian National Development Bank (BNDES), Carlos Lessa warned that if Brazilians do not rally to change the IMF conditionalities which are blocking development of the Brazilian economy, Brazil, too, will become "an Argentina." The IMF says you cross the desert, and, finally, you reach the Promised Land, but "Argentina crossed the whole desert, and remained in the desert," Lessa told a reporter from "Planetaportoalegre.net" on Dec. 22, 2004. To survive, Brazil must invest in infrastructure and reduce its interest rates. "Colossal pressure, including international pressure," forced President Lula da Silva to fire me, he said, "but I don't think the battle is lost."

Lessa has been organizing since his ouster, and he told *Folha de Sao Paulo* on Feb. 6, that he is writing a book, *From Dreams to Nightmare*, on what Brazil needs for its development—and who and what interests drove him out of BNDES to stop this from occurring. Implying that some should be nervous over what is coming, Lessa assured *Folha* that he would include in his book only things for which he has evidence which could stand up in court.

Lessa was ousted on Nov. 18, after he gave an interview attacking Central Bank chief Henrique Meirelles. "I gave the interview knowing I might lose my job, after Meirelles proposed that the system of development banks in the country be destroyed," he told *Folha*. That could not be permitted to stand. The financial system has long sought to privatize these banks, recognizing that they are a breach in the privatization from which could come "the reconstruction of the Brazilian developmentalist state, which is, for the neoliberals, a nightmare."

Lessa has not ruled out running for office, and in January, he drew up a memo at the request of the Governor of the state of Parana, Roberto Requiao of the PMDB party, calling for a great public debate over the future of the country. Thus, 2005 will be a decisive year, because either President Lula rethinks his alliances and neoliberal policies, or he will lose his social base and the 2006 elections, and create a "historical disaster," Lessa argued. International finance must be confronted, for Brazil to develop.

Argentine President Sticks It to the Vulture Funds

For months the vulture funds and their frontmen have worked to ensure the failure of the Argentine government's debt-restructuring proposal, assuming they could force President Nestor Kirchner to start the process all over again and make a better offer—i.e., pay more. But on Feb. 2, Argentine Finance Minister Roberto Lavagna sent legislation to the Congress which would prohibit the Executive branch from doing anything to improve the debt-restructuring offer, even if it fails. The bill was immediately passed in the Senate, and within a week, by the lower house, also. As Kirchner told an audience in Neuquen on Feb. 4, "This is the last offer that Argentina will make. We shall not take one step back, nor will we pay one peso more than we can pay." To bondholders, Kirchner said, "take it or leave it."

The legislation also allows the government to remove from world markets those bonds that are not swapped. So those who decide not to participate, will be left holding worthless pieces of paper.

This was not much to the liking of the IMF, which has been bludgeoning Argentina for months about paying more money to the vulture funds—what it called "good faith" negotiations. In retaliation, IMF Managing Director Rodrigo Rato warned Kirchner Feb. 4 that the Fund had no intention of signing a new agreement that didn't include "structural reforms" as conditionalities, contrary to what Kirchner has been seeking. Speaking at a London press conference on the eve of the Group of Seven meeting, Rato said the Fund had respected Argentina's desire to wait until the debt restructuring were completed before starting new negotiations. "We are more than happy to continue conversations, but structural reforms will, of course, be part of the program," Rato warned.

China Economic Ties with Ibero-America Expand

Chinese-Ibero-American trade and investment got another boost with the visit of Chinese Vice President Zeng Qinghong to Mexico, Peru, and Venezuela Jan. 24-30. He was accompanied by 130 Chinese businessmen involved in the petrochemical, hydrocarbon, and food-processing industries, maritime transport, port and highway construction, engineering, banking, tourism, etc. The trip follows President Hu Jintao's two-week trip in November 2004 to Brazil, Argentina, and Chile.

Mexico is now China's second trading partner globally, although this does not reflect the real economic relations between the two countries, as Mexico is, in large part, merely serving as an export platform for China into the U.S., under NAFTA. Trade between the two countries grew by an astounding 44% between 2003 and 2004, largely reflecting a huge jump of Chinese exports into Mexico (i.e., NAFTA), which Mexican officials complain must be matched by an opening of the Chinese market to Mexican goods. An agreement to establish reciprocal credit lines for binational construction contracts and energy exploration, as well as trade, was signed during the Vice President's visit.

While in Peru—which hopes to become the primary entry point for Chinese exports into South America—Zeng Qinghong met with Peruvian President Alejandro Toledo and his officials, and also with the Foreign Ministers (or his representative, in one case) of the Andean Pact nations (Venezuela, Colombia, Bolivia, and Ecuador), who travelled to Lima to meet him. Chinese-Peruvian trade had already grown by 51% in 2004 (China represents 16% of all Peru's foreign trade now). Eight bilateral accords were signed during the visit, ranging from investment promotion, to cooperation in oil and gas exploration, and tourism. Toledo announced he will visit China in May.

At the conclusion of Zeng's three-day visit to Venezuela, agreements were signed for the China National Petroleum Corporation to develop oil and gas reserves in Venezuela, as well as for increased sales of Venezuelan oil and gas to China. Venezuela is reported to be exploring the possibility of building a pipeline across Panama, in order to ship its oil to Asia more cheaply. Since President Hugo Chavez's trip to China in December, Venezuela is reported to have sold two 3-million-barrel oil shipments to China, according to the *Financial Times* (which has been huffing and puffing over the recently increased China-Venezuela ties). Venezuela is also interested in purchasing agricultural equipment from China.

China Signs Preliminary Oil Accord with Bolivia

On Feb. 3, representatives of China's state oil company, Shengli International, and Bolivia's newly reconstituted state oil company, YPFB, announced that they would be drafting a preliminary accord for \$1.5 billion in Chinese investments in Bolivia. Under the accord, Shengli is to begin work with YPFB on various projects to permit Bolivians to use their vast natural gas reserves domestically (converting cars to natural gas fuels, installing gas distribution for homes, etc.), pending passage of a new law regulating the hydrocarbons industry, which has been battled over for months. Once that law passes, Shengli would begin explorations in a new area along the Brazilian-Peruvian border with Bolivia.

While other oil and gas multinationals are threatening to pull out of Bolivia if the government's proposal to raise royalties to 50% goes through (currently, the companies pay only a laughable 18%), Shengli's representatives agreed to a risk-

contract with Bolivia's state company, in which they would take 49% of any oil found, and YPFB would keep 51%.

IMF: Bolivian Gov't Must Commit Suicide, One Way or Another

It was the IMF's conditionality that Bolivia raise fuel prices, which provided the Santa Cruz separatists the pretext they had been seeking to make their illegal move for autonomy in January (see "Separatism Unleashed Against Bolivia and Its Neighbors," Indepth, last issue). To cool out that insurgency, the Mesa government agreed to lower the fuel price increase. The IMF ordered the government to cut something else. So, on Feb. 1, the government announced that public salaries would be frozen, with no public-sector worker receiving the usual yearly COL increase. That IMF-ordered decision has set off a whole new round of national protests by teachers, health workers, miners, etc., against the government, which is already fighting for its existence.

Pinochet and Crew Pocketed \$1 Billion on Privatizations

It is conservatively estimated that Augusto Pinochet and his "Chicago Boys" pals stole \$1 billion in the process of privatizing a large number of Chile's state-sector companies during the 1970s and 1980s. The Congressional Committee investigating the privatizations hasn't yet arrived at an exact figure of the theft involved, when hundreds of profitable companies were sold off at absurd prices to friends of the Chicago Boys who were running the economy, and stole the country's pension funds.

Congressman Eduardo Saffirio, a member of the committee, also points out that the six committee members belonging to the Pinochet-linked right-wing parties, the UDI and RN, have almost never showed up for any of the meetings or participated in the investigation of the privatizations. Saffirio explains that this is because the right-wing Congressmen are very close to those who benefitted from the privatizations, and may be implicated in financial wrongdoing when the investigation's conclusions are made known. He points out, for example, that one of the figures who helped oversee the privatization process, Cristian Larroulet, is currently an adviser to Joaquin Lavín, a radical ideologue of the free market and the Chicago School, now Mayor of Santiago—and who hopes to become Chile's next President. It wouldn't look good for Lavín if dirt came out on Larroulet's role in stealing funds from the Chilean state.

Western European News Digest

U.S. Has in Europe Twice the Nukes Analysts Thought

A report published in February by the Natural Resources Defense Council, written by nuclear arms specialist Hans Kristensen, and titled "Nuclear Weapons in Europe," said the United States is keeping some 480 nuclear weapons in air bases in Europe—twice as many as analysts had previously stated. The report used declassified documents, commercial satellite imagery, and other documents to reach this conclusion.

The short-range nuclear bombs are stored under U.S. control and regulated by military agreements at eight bases in Belgium, Germany, Italy, Netherlands, and Turkey.

U.S. officials pointed out that there is no plan to reduce this nuclear arsenal in Europe, and the issue has caused some strain within the NATO community.

Blair Tries To Please EU, Bush Simultaneously

On the one hand, the British Prime Minister is representing the European Union threesome (Britain, France, and Germany) in its diplomatic engagement with Iran, while at the same time, representing his alliance with the saber-rattling Bush. Speaking to a parliamentary committee Feb. 8, Blair called Iran a state sponsor of terrorism, and urged it to meet EU demands to renounce its suspected pursuit of nuclear weapons.

"It certainly does sponsor terrorism. There's no doubt about that at all," Blair said, echoing U.S. Secretary of State Condoleezza Rice. "I hope very much that if we can make progress in the Middle East, that Iran realizes that it's got an obligation to help that, not hinder it," he said, referring to Iran's support for Palestinian militant groups.

Blair said it was a "good sign" that the United States and Europe were "working together" to convince Iran to abandon what is feared to be its pursuit of nuclear weapons. He also called it a good sign that France and Germany, with Britain, are striving to reach a diplomatic solution with Tehran. "Iran has now been given a set of obligations that they've got to fulfill," he added. "I hope they fulfill it."

Blair May Join the United States Against Iran

Continuing his balancing act between alleged commitment to the European Union dialogue with Iran and threatened U.S. military action against Iran, Tony Blair on Feb. 8 refused to categorically rule out that he would support Bush in any military adventurism against Iran, but said that he believed the nuclear dispute could be pursued by diplomacy.

In a Parliamentary Q&A session, Labour MP Jeremy Corbyn asked Blair to make clear if his policy is to "seek engagement with Iran rather than joining in any American-led military attack or military threat towards Iran, either in the near future or distant future." Blair responded by saying that the pursuit of engagement with Iran was being conducted "with France, with Germany, (and) with the United States' full support."

But Blair told Corbyn, who opposed the Iraq war, that it is also important to make clear to the Iranian government "that they cannot breach the rule of the atomic energy authority, and cannot develop nuclear weapons capability."

U.S. Presses NATO To Junk Restrictions on Troop Deployments

An unnamed U.S. official warned that Secretary of Defense Donald Rumsfeld expected to press his NATO colleagues to eliminate restrictions on the participation of their NATO forces in alliance military operations, at a defense ministers' meeting that took place in France on Feb. 9-10. The restrictions are said to have hurt training programs in Iraq and Kosovo.

The official said five NATO member-states have refused to allow their officers working under the NATO flag to operate in Iraq, or in some cases even to participate in planning Iraq operations, such as the training of security forces.

While not naming the countries, NATO officials have said in the past, that Germany, Spain, Belgium, Luxembourg, and Greece have declined to participate.

Car Bomb in Madrid Wounds 43

A 30-kg bomb that exploded last week in Madrid, in front of the Congress of Deputies—the first such incident in three years—indicates that a new offensive is underway in Spain by ETA or ETA-related irregular war forces. The attack must be seen in the context of Spain's being one of the most outspoken governments against the Bush/Cheney war in Iraq.

On the other side, there is a domestic element: In the last three weeks, the Spanish Parliament held a major debate over autonomy for the Basque region, presented by the head of the Basque government, Ibarretxe. He called for a referendum to be held in the context of elections which are to take place on April 17 in the Basque region. Ibarretxe's plans were strongly rejected by Spanish Prime Minister Zapatero and the leader of the opposition party.

Germany: Trying To Pay Debt Is Part of Debt Trap

What has been the daily experience of developing-sector countries for some time, is now on the agenda for the German state of Thuringia. The government has constantly imposed budget cuts, over the past few fiscal years. The present debt is 14 billion euros—and will grow, in spite of budget cuts and debt repayments, to 17 billion by 2010.

Mike Mohring, budget expert of the state parliamentary group of the governing Christian Democrats, calculated when Thuringia will have finally paid its debt. He came to the shocking conclusion that it will take no less than 175 years—if the tight-budget policy is kept during that entire period, and if interest rates stay approximately the same as today. Mohring's CDU is in fact committed to make sure that the debt-paying and budget-cutting is kept for the coming 175 years, which would mean that Thuringia and its citizens would be in the debt trap for almost 200 years, if one starts counting from German reunification in October 1990.

Netherlands' Prince of Orange Wants Cuts in Water Use

The Netherlands' Prince Willem-Alexander addressed the opening session of the UN Food and Agriculture Organization/Netherlands International Conference on Water for Food and Ecosystems on Jan. 31, insisting that worldwide water consumption must be cut to 2000 levels by 2015.

"Water consumption must be stabilized at 2000 levels, and at the same time, food production must be increased significantly," said the Malthusian oligarch. (Some 70-80% of water consumption goes to agricultural irrigation.)

"As the recent UN report, 'Investing in Development,' by Jeffrey Sachs shows, we can achieve those goals, and often with very modest resources." How? By creating "more crop per drop" and "more nutrient per drop," eliminating the remaining government subsidies for agriculture production, and converting much of present farmland into nature parks for recreation.

"This means that available development funds don't have to be applied to feed those disadvantaged by our subsidy system and can be used directly and effectively to reach the Millennium Development goals. I believe this is completely in line with the Sachs report," said the Prince.

"This means that water and nature now come with a price tag, which is good for the ecosystem and the reliability of water delivery. This approach also makes it easier to interest the private sector in participating financially in projects. And as we all know, the importance of public-private partnerships in our field of work cannot be overestimated."

The only thing it's not good for: People, who need food grown on agricultural land, and irrigation of that land, not just nature parks, to survive.

The Prince's grandfather, Prince Bernhard, died recently at 93, having been a member of the SA (Hitler's Stormtroopers) and, later, of the Nazi SS.

LaRouche Associates Intervene in Copenhagen, Paris

On Feb. 8, at a big left-wing anti-war demonstration in Christianshavn, in southern Copenhagen, a couple of thousand people showed up to watch politicians and a few other semi-famous Danes speak against Danish participation in Iraq, and encourage people to vote against the government in elections on Feb. 7.

LaRouche associates in Denmark intervened in the demonstration, holding up a big banner saying "The U.S. Senate declares war on the fool Bush. Join LaRouche's fight and continue the American Revolution." They sang Bach's "Jesu, meine Freude" and the Israeli peace song, "Shalom Haverim," which were well received by the crowd.

Meanwhile, in Paris, more than 200,000 people showed up Feb. 7 for a massive demonstration against the fiscal austerity proposed by the Raffarin government. Smaller demonstrations took place in 118 cities of France. Almost all the trade unions and workers from both the public and private sector were participated.

Thirteen LaRouche associates succeeded in reaching almost all the demonstrators. They unfurled a banner which read: "Financial Economic crisis, for a New Bretton Woods with LaRouche and Cheminade, for a new Eurasian Landbridge." LaRouche's associates distributed a leaflet denouncing the "Pinochet Model" of looting social security and the undermining the principle of the general welfare. At the same time, one organizer spoke over the bullhorn, and eight others distributed Presidential candidate Jacques Cheminade's leaflet against the Pinochet model. Meanwhile, our "Sharkozy" (a two-meter-high pair of shark-like movable scissors with the name of Nicolas Sarkozy, former Finance Minister, now head of Chirac's UMP party) was threatening to eat the banners of the different trade unions. People were very surprised and laughed, happy to take copies of *Nouvelle Solidarité*, the LaRouche co-thinker paper in France.

Russia and the CIS News Digest

Russian Central Bank Ends Dollar-Only Peg

As of Feb. 1, the Central Bank of Russia began pegging the ruble to a basket of currencies, weighted with the U.S. dollar at 90% and the euro at 10%, but it indicated that the euro's share would be increased soon. The arrangements were explained in a Central Bank press release on Feb. 4. Reporting on the development, the *Financial Times* of London headlined, "Russia ends de facto dollar peg and moves to align ruble with euro," commenting that "the move heightened expectations that other countries operating de facto dollar pegs, such as China, could follow suit.

"With 81% of Russia's oil exports currently sold to Europe, the move also provoked fresh speculation that Russia could decide to denominate its oil in euros. Russia is the world's second-largest oil exporter, behind Saudi Arabia," said the *Financial Times*. It noted that 30% of Russia's foreign currency reserves are already held in euros, as against only 5% five years ago.

No Quorum for Russian No-Confidence Vote—This Time

The Communist Party of the Russian Federation (CPRF) and the Rodina bloc in the Russian State Duma launched a vote of no-confidence in the government of Prime Minister Mikhail Fradkov, over implementation of the "monetization of benefits" reform of entitlements, which touched off nationwide demonstrations. The Feb. 9 vote was invalid, however, for want of a quorum: Fewer than 150 of the Duma's 450 members cast votes (112 against the government, 20 for it, four abstentions). Far from being a concerted move by the parliamentary majority party, United Russia, to repulse the CPRF and Rodina, the politicking around the vote revealed deep splits in United Russia itself. There were a good many more abstentions by United Russia deputies than were needed to prevent a quorum. In fact, out of 306 of them, only 18 cast votes in favor of the government.

United Russia deputy Valeri Bogomolov, in an Ekho Moskvy radio interview after the vote, expressed what he called an "ultimatum" to the government, saying that there is support from within United Russia itself for a new no-confidence vote in two months, if "mistakes" are not corrected.

Prime Minister Fradkov had to appear before the Duma to explain what has happened. He claimed to have "drawn lessons" from the monetization reform's troubles, but continued to blame ministry and regional officials for mistakes in the implementation, as opposed to a wholesale review of the monetization scam, which is a gimmick drawn from the Mont Pelerin Society's bag of tricks (other items in the bag being José Piñera's pension reform blueprint, on which he briefed President Vladimir Putin last spring; the imposition of "world market" utilities prices on Russia's impoverished population, etc.). In particular, Fradkov laced into Minister of Economic Development and Trade German Gref, saying that Gref "needs to look at many things again. He has to virtually fully reform the ministry, and he is ready to do that."

Russian Government Commissions Review of Social Policy

Amid the ongoing efforts to crisis-manage the explosion of protests, Prime Minister Fradkov has also requested Tomsk Region Governor Victor Kress to prepare an overview report on problems in the government's social policies. "I have a feeling there's something we have left undone, or are overlooking," Fradkov said at a Jan. 24 cabinet meeting. Kress had spoken at the meeting, attacking the cash-for-entitlements measures as a disaster, respecting not only access to public transport, but also medicines and other vital services. Kress also warned that even more serious protests would break out when people's rent and utilities bills begin to reflect the elimination of subsidies. According to Federation Council head Sergei Mironov, the costs of the entitlements reform have already run quadruple what had been projected.

Kress is an important regional leader, who publicly clashed with Gref and, especially, United Energy Systems (UES) CEO Anatoli Chubais during debate of the electric power sector reform in 2001. He was a member of President Putin's State Council, at the time when it produced the Ishayev Report on the need for real capital investment in science-intensive industries and manufacturing—a report commissioned by Putin, but destined to be a dead letter as the monetarist approaches of Gref and others prevailed. In November 2000, during a visit by Putin to Novosibirsk, Kress, as chairman of the Siberian Accord association, pushed for the formation of a working group to elaborate a strategy for Siberian development. He said that the capacities of defense-sector companies should be used to boost manufacturing in Siberia, and in Russia as a whole.

Russian Protests Involve New Sectors of Population

As demonstrations by pensioners continued in cities throughout Russia—estimated in the *Washington Post* of Feb. 13 at 250,000 protesters on Saturday, Feb. 12—as of Jan. 31 over half of Russia's regions had mitigated the elimination of free access to public transport for pensioners. With promises of financial support from the Federal budget, the regional leaders either restored free access, or began to issue discount passes.

At the same time, new layers began to protest against the reforms, which have slashed in-kind entitlements for many groups of citizens besides retirees. Though downplayed in the central Russian media, there are reports of other protests, including:

* *Novyye Izvestia* of Feb. 7 reported on a conference of police trade unions, held in Moscow the previous day. Many participants complained of not receiving the monetary compensation due them for their cancelled in-kind entitlements. Victor Chugunov, deputy police chief of Moscow, said that 350 police officers have given notice that they will leave the force.

* The same newspaper reported a protest demonstration by civilian employees of Northern Fleet naval units, in the Leningrad Region (around St. Petersburg).

* On Feb. 10, a few hundred civilian employees of the Ministry of Defense picketed in front of the Ministry's main building in Moscow, while another 500 demonstrated in front of government headquarters, demanding a 20% wage increase. (Boris Berezovsky's *Nezavisimaya Gazeta* particularly played up the threatened expansion of these actions, quoting an official of the Federation of Trade Unions for Armed Forces Workers and Employees, who said his organization was prepared for "nationwide protests across all of Russia" in March, if their demands are not met for the 800,000 civilian personnel of the ministry working for the Defense Ministry.)

* Russian TV and wires monitored by RFE/RL Newsline reported protests against rising gasoline prices, occurring Feb. 10 in Moscow, St. Petersburg, Vladivostok, Nizhni Novgorod, Volgograd, Novosibirsk, Khabarovsk, Petrozavodsk, Kursk, and Arkhangelsk. Clubs of motorists are protesting the rise of gas prices in petroleum-rich Russia, above U.S. and towards European levels. Deputy Premier Alexander Zhukov received a delegation from one of these groups.

While in major cities like St. Petersburg the demonstrations have been invaded by people pushing political slogans, in imitation of Ukraine's "orange" insurgency, the majority of newly reported demos in other cities have to do with pressing economic matters.

Yevgeni Primakov Tours Southwest Asia

Former Prime Minister Yevgeni Primakov, Russia's leading expert on the regions of Southwest Asia, toured the Southwest Asia in early February, in his capacity as head of Russia's Chamber of Commerce and Industry. After visiting Syria, Jordan, and Lebanon, Primakov was set to arrive in Iran Feb. 12. His delegation includes executives from 30 companies in the fields of trade, investment, the steel industry, airplane-manufacturing, telecommunications, information technology, banking, transportation, oil and gas. The delegation was due to sign several agreements on establishment of a joint trade council and exchange of trade expertise. During the two-day stay in Tehran, the businessmen were to attend a trade conference at the premises of the Iran Chamber of Commerce, Industries and Mines.

Primakov and his entourage are slated to hold talks with senior Iranian officials. Given his experience in the region, including his intervention prior to the Iraq war, in an attempt to prevent it, Primakov will certainly be discussing more than business.

Also in February, Russian nuclear energy officials visited Iran to finalized a deal whereby Russia will buy back from Iran the fuel burnt in the Bushehr Nuclear Power Plant. "The Iranians believe—and we support them on it—that the fact they buy the fuel from Russia means it becomes Iranian property, and Russia will have to pay for the irradiated fuel," Aleksandr Rumyantsev, Russian Nuclear Energy Minister, said at a recent press briefing.

Questions Raised About Georgian PM's Death

The funeral of Zurab Zhvania, the Prime Minister of Georgia, who died from carbon monoxide poisoning two weeks ago, was held Feb. 6 in Tbilisi. The coroner ruled his death an accident, but questions have been raised about that, in the context of the political turmoil over his successor. Opposition figure Irina Sarishvili-Chanturia voiced the suspicion that there had been tampering with the space heater involved in the death of Zhvania and an associate. Shalva Natelashvili, leader of the Labor Party, said he thought Zhvania's death was related to infighting in the Saakashvili regime. Deputy Prime Minister Baramidze said that Zhvania "had many enemies," while the Boris Berezovsky-owned Russian press started rumors that the Russians had poisoned him.

Sources in Tbilisi say that Zhvania was considered a stabilizing influence on President Michael Saakashvili. Educated as a biologist, Zhvania was founder of the Green movement in Georgia, then collaborated with the government of Eduard Shevardnadze. He broke with Shevardnadze politically, but remained on good terms with the former President. He also served as Speaker of Parliament in Georgia. Within the Saakashvili regime, which took power in December 2003, Zhvania worked for negotiated solutions to the crises around the Abkhazia and South Ossetia districts, which several times appeared to be headed towards armed conflict between Georgia and Russia.

Saakashvili has appointed Finance Minister Zurab Nogaideli to succeed Zhvania, a move that drew criticism from Speaker of the Parliament Nino Burjanadze, one of the three top politicians (with Saakashvili and Zhvania) in the December 2003 Rose Revolution, and the person tipped by many observers for the premiership. She revealed that she and Saakashvili had had an understanding that a different person would get the job, and denounced Nogaideli as an uncooperative person.

Southwest Asia News Digest

No Break from 'Clean Break': Wolfowitz Favors 50-Year Stay in Iraq

Despite the announced departure of leading Iraq warmonger, neo-conservative Douglas Feith, from his top Pentagon post, there are no signs that the Bush Administration has, in any substantive way, broken from its policy of perpetual war in Southwest Asia and other raw-materials-rich parts of the planet.

Indeed, while Secretary of State Condoleezza Rice's tour of Southwest Asia and Western Europe drew some praise for rhetorical fence-mending, the content of her pronouncements was another version of the "Clean Break" policy that brought you the Iraq mess. While preaching trans-Atlantic collaboration, Rice made clear this "collaboration" is to be on Washington's terms, and includes political/military destabilizations and regime change in Iran and Syria.

This targetting of Iran and Syria comes right out of the pages of the July 1996 "A Clean Break" blueprint, delivered to Israel's then-Prime Minister Benjamin Netanyahu by a team of American neo-cons, led by Feith, Richard Perle, and David Wurmser (now in the Office of Vice President Dick Cheney). In that document, Netanyahu was told that the Oslo Accords could be ripped up, by denouncing Yasser Arafat as a terrorist and launching hot-pursuit raids into Palestinian Authority zones, until the Palestinian governing institutions had been gutted. "Clean Break" also spelled out a sequencing of regime changes in the Arab/Muslim world, beginning with Iraq, and moving on to Iran, Syria, and, eventually, Egypt and Saudi Arabia. This perspective was clearly visible in President Bush's State of the Union speech.

A number of American and British military specialists with decades of experience in Southwest Asia confirm that the Bush Administration is hell-bent on military action—either American or Israeli—against Iran, perhaps as early as Summer 2005. According to one senior retired American military intelligence official, the U.S. Air Force is set for bombing missions against a dozen Iranian sites, purportedly secret nuclear weapons facilities.

On Feb. 10, *Washington Post* columnist Jim Hoagland reminded readers that the real power in the Administration lies with Vice President Dick Cheney, with his round-the-clock access to President Bush, and vise-like control over the White House national security team. Cheney has given two high-profile TV interviews since Inauguration Day, in which he targetted Iran for military action by either the United States or Israel.

Hoagland also pointed out that the new National Security Advisor, Stephen Hadley, is an old Cheney Pentagon protege, and Hadley's newly appointed deputy, J.D. Crouch, also comes from the Cheney stable. Indeed, White House senior staff meetings, according to leading Republican strategist and newsletter publisher Richard Whalen, are chaired, not by Hadley, but by Cheney's own chief of staff, neo-con Lewis "Scooter" Libby.

Part of Cheney's policy appears to have been let out of the bag on Feb. 3: Before the Senate Armed Services Committee, Deputy Defense Secretary Paul Wolfowitz admitted that he favors a 50-year American military presence in Iraq. Wolfowitz drew the parallel between Iraq and Korea, where 37,000 U.S. troops have been stationed since the end of the 1950s Korean War.

The next day, the Association of Muslim Scholars, the leading Sunni clerical group in Iraq, met with the United Nations envoy, and offered a cessation of the insurgency, in return for a definite date for withdrawal of all foreign occupation forces from Iraq. But that would mean that the United States would have to abandon the neo-con schemes for permanent military bases in the heart of Iraq, at the center of the Persian Gulf oil patch.

The Sunni offer to end the insurrection, in return for an assured end of foreign military occupation, even if over several years, is clearly worth pursuing. But the silence from the Bush-Cheney Administration on this dramatic offer convinces many that the U.S. plan is for permanent bases in the Iraqi desert—regardless of how many American and Iraqi lives have to be sacrificed.

Shi'ite List Poised To Win a Majority in Iraq Elections

While the final election results in Iraq were not ready by Feb. 11—due, in part, to substantial "voter irregularities"—it appeared that the United Iraqi Alliance, the list backed by Shi'ite Grand Ayatollah Ali al-Sistani, could gain over 51% and an absolute majority in the 275-member parliament. Second will be the Kurdish parties. Running a distant third was the American Occupation-appointed Interim Prime Minister, Iyad Allawi's list, with an estimated 13.6%. Fourth is the National Independent Cadres and Elites, led by Shi'ite Fathallah Ghazi Ismail, fifth is the party of Sunni Interim President Ghazi al-Yawer, and the Communist Party was sixth.

The most important development following the elections, is the move towards national reconciliation. Abdul Aziz al-Hakim, leader of the Supreme Council of the Islamic Revolution in Iraq (SCIRI), and top candidate in Sistani's list, opened channels with the leading Sunni organization, the Association of Muslim Scholars, asking them to take part in drafting a constitution.

The Association, which boycotted the elections, had made an offer to the U.S., through a third party, whereby it would reverse the boycott on condition that the U.S. establish a date for withdrawal. That offer, made prior to Jan. 30, met with no comment from the U.S. side. Now, this group says it respects the choice of the voters, but will not consider the new government to be legitimate, i.e., to have the right to make long-term agreements. However, the group will enter into a national dialogue, in the interest of maintaining Iraq's territorial integrity and independence.

The most important concern, both of the Sistani forces, and the Sunnis, is that the occupation end. Ayatollah al-Sistani had demanded elections be held by January, solely in order to have a government which could call for the end of the occupation. Now, if the national reconciliation process moves forward, this will call the bluff of the U.S. and Britain.

Did Bush's Iran Policy Come From Israeli War Party?

According to a Feb. 11 article by *Ha'aretz* reporter, Amir Oren, the comments on Iran in President George W. Bush's inaugural address were inspired by Israeli secret services. Those comments called for supporting the so-called Iranian opposition and exile movement against the Iranian government.

Oren identifies the Israelis who are shaping Bush's policy as "two or three Israelis who are close to the defense

establishment" who "persuaded Bush's aides—notably Elliot Abrams, the official in charge of the Middle East [for the National Security Council] ... to include in the President's remarks a call to the Iranian nation to rise up against the rule of the ayatollahs. The text was more moderate than that, but there was no mistaking its import: Bush invited the opponents ... to topple the regime and thus spare Iran an American operation against its nuclear facilities."

Although Oren writes that Mossad director and flunky of Israeli Prime Minister Ariel Sharon, Meir Dagan had recently been in Washington to discuss a possible Israeli strike against Iran, he claims that now a regime change were preferable to Washington. Oren writes that what is wanted is "a popular quasi-Ukrainian movement that will spring up ... and will win over the army and the Revolutionary Guards until it vanquishes Khamenei...."

For Oren, the only question is, once an uprising starts, what will the Bush Administration do to support it? However, senior Middle East specialists in Israel and Washington have told *EIR* that such an "uprising" is another neo-con "pipe-dream," like the infamous claim that victory in Iraq would be a "cakewalk."

Israeli Fanatic Writes War Manual for Christian Zionists

Israel's religious extremist, Rabbi Benny Elon, of the ultra-right-wing National Union Party, has just written a book to mobilize U.S. Christian Zionists against Israeli Prime Minister Ariel Sharon's plan to withdraw the Israeli settlements from the Palestinian territories.

Elon is one of the most notorious fanatics in Israel. He was the Rabbi of Ateret Cohanim Yeshiva, better known as the headquarters of the Temple Mount Faithful fanatics. He was one of the spiritual guides of Yigal Amir, the murderer of Prime Minister Yitzhak Rabin, and Elon's niece was the girlfriend of assassin. She was put on trial for not trying to stop the murder, even though Amir had told her he was going to kill Rabin.

Elon's book, *God's Covenant with Israel: Establishing Biblical Boundaries in Today's World*, will be presented at a National Religious Broadcasters convention of 6,000 "Christian communicators," including Pat Robertson, Kay Arthur, and Janet Parshall, to be held in Anaheim, Calif., Feb. 11-16, 2005.

Elon told the *Jerusalem Post* that Israel "hasn't done enough to reach out to our strategic partners, the Christian lovers of Israel." He said he has no problems talking to these fundies, despite the fact that they believe that when the Messiah comes all the Jews will be finished. "I am secure with my Judaism and I know who my Messiah is," Elon replies to such questions.

The book focuses on the geographic dimensions of the "land of Israel" of which, for Elon, the Gaza Strip is a part, so Christian Zionists are obligated to fight against Sharon's disengagement plan. "Gaza was clearly part of the biblical land-grant to Israel and God has a plan for Gaza and its inhabitants in the future," Elon wrote in his book. "As the preparations for this withdrawal increase, please keep the inhabitants of Gaza and northern Samaria in your hearts and prayers. The people of the book have a responsibility to uphold and protect the covenant between God and Israel."

The book also depicts Muslims as anti-Christians and tries to claim that the Palestinian National Authority acts brutally against Christians. This claim by Elon is a lie, and is also ridiculous, since many Palestinian Christians are leading members of the Palestine Liberation Organization.

The book is expected to hit the bookshelves in April so as to be widely distributed when Sharon starts the withdrawal from the Gaza Strip in the summer. Elon and the right-wing settlers are organizing for thousands of Christian Zionists to travel to Israel from the United States to help block the withdrawal.

Elon and others would, in effect, be using American Christian fundamentalists as "human shields," in their opposition to Israeli government police and military personnel.

Rights Group Challenges Naming of New Shin Bet Chief

According to the Israeli daily *Ha'aretz* of Feb. 11, the Israel Public Committee Against Torture sent a letter to Prime Minister Ariel Sharon demanding that he not name Yuval Diskin as the new head of the Shin Bet security service, because he is the architect of the targeted assassination policy.

"The assassination policy that Mr. Diskin was instrumental in putting into practice claimed the lives of hundreds of people, many of whom were innocent bystanders, in recent years," wrote attorney Michael Sfar on behalf of the organization. "Up until May 2004, the policy claimed the lives of 362 people—237 assassination targets and 125 innocent bystanders.... Israel's assassination policy, which is tantamount to execution without trial, constitutes a systematic violation of the laws of war... and could even be considered a serious war crime.... If Mr. Diskin was indeed involved in shaping and implementing the assassination policy, he is not fit to serve as head of the Shin Bet."

The letter does not mention whether Sharon is fit to be Prime Minister since, in the post, he must approve all assassinations.

Asia News Digest

Balochistan Rebels Threaten Pakistan

In Islamabad, Pakistani President Musharraf is having restless nights. In Balochistan, the Balochistan Liberation Army, backed by the tribal leaders, has declared virtual war against Islamabad. They have cut off the gas supply. Musharraf is getting pushed to the point where he will be left with no other choice but to unleash a full-fledged military action against his own people.

On Feb. 8, the rebels blew up a portion of the railway track linking Quetta with the rest of the country. Repair work is progressing, but rockets fired from the mountains have kept the repair crew busy.

On the same day, suspected tribesmen blew up a telephone tower in a village disconnecting 20,000 telephone lines. A railway bridge near Damboli station was blown up also on Feb. 8. Azad Baloch, the BLA's purported spokesman, has called in the journalists to claim the credit for the violent acts and has told them they are going to blow up the Dhodhak gas plant, and an adjacent railway bridge, if the Punjabis are ejected from the Dhodhak gas field.

The Balochistan situation is serious. So far, there is no indication that Iran has helped the rebels. If Iran chooses to support the rebels at a certain point in time, Islamabad would have to go all-out to bring back law and order in this border province. It is not clear as of now who the Afghan-Taliban would support. A large number of Afghan-Taliban live in Balochistan.

Nepali Army Launches Air Strikes Against Maoist Camps

Nepali troops backed by helicopters have attacked Maoist camps in western Nepal, as part of an offensive action whose consequences could turn out to be dangerous. King Gyanendra, who sacked his government on Feb. 1, suspended all civil rights, and imposed emergency rule for three years, has sent out his army against the Maoist rebels. The Maoists have

attacked Gyanendra's assumption of power and threatened a blockade of traffic throughout the country on Feb. 13.

Since Feb. 1, for six days, all telephone lines were out, and things did not operate until Feb. 7. Reports indicate hundreds of politicians, activists, journalists, and rights workers have been arrested by the Army. India expects an influx of as many as 500,000 people into India.

New Delhi has been urged by both Kathmandu and the fleeing Maoists of Nepal for support. New Delhi has not responded to either request.

Plans for a U.S. NATO Base in Herat Exposed

Asia Times correspondent Syed Saleem Shahzad, quoting "well-placed sources in Brussels." claimed in a Feb. 10 dispatch that a strong NATO base will be established in the Afghan province of Herat (which borders Iran), and a logistics hub for NATO might be established in Pakistan's southern port city of Karachi. Syed Saleem, who has very close links to the Pakistani Army (according to an Indian contact), has confirmed that construction work has already begun in Herat under the surveillance of Italian troops stationed there. A request for use of Karachi as logistics hub has already been conveyed to Islamabad. Gen. Alessandro Minuto Rizzo, NATO Deputy Secretary General, was scheduled to meet Pakistan President Pervez Musharraf within the next few weeks. Meanwhile, Syed Saleem says the United States had asked Islamabad for setting up a military base in Khuzdar, Balochistan, 400 kms northwest of Karachi (and that much nearer to Iranian border). The *Asia Times* correspondent claimed the base "will soon be operational for U.S. troops."

Official news media covering the NATO meeting in Nice, France, reported the announcement that NATO is ready to launch a long-delayed westward expansion of "peacekeeping duties in Afghanistan," but said "it was still short of staff for an officer training mission in Iraq."

Reports of Pakistani Paying al-Qaeda

The Pakistani Army's Commander of Peshawar Corps, Lt. Gen. Safdar Hussein, told *The Daily Times* of Lahore that Islamabad had paid a half-million dollars to four former wanted tribal militants to settle their "debts to al-Qaeda." The money was transferred to an al-Qaeda account.

According to the *Daily Times*, the deal was negotiated by Maulana Fazlur Rehman of Jamaat Ulema-e-Islam (JUI), also a strong sponsor of the Taliban, with Lt. Gen. Safdar Hussein, who is in charge of military operations in Waziristan bordering Afghanistan. The "peace deal" signing was followed by shouts of "Death to America," the *Daily Times* reported.

Another player in the event was Baitullah Mehsud, an ex-Guantanamo Bay prisoner who was released some time back. He took the money, but later rejected the amnesty offer of Lt. Gen. Safdar Hussein. Baitullah Mehsud was asked to pledge on behalf of the tribals not to support al-Qaeda and Taliban militants or attack government installations. Baitullah Mehsud wanted about \$3 million to cut this deal.

Thailand's Muslim Provinces Vote Against Thaksin

Prime Minister Thaksin Shinawatra, who won re-election in recent national elections, suffered a significant defeat in his country's southern, and largely Muslim provinces of Yala, Narathiwat, and Pattani. Thaksin had expected victories for several of his Thai Rak Thai Party's 11 candidates running in national elections, but none of the 11 won their races. However, with 90% of the vote counted, Thaksin's party won only one seat in the southern provinces in the tsunami-hit district of Phang Nga.

Thaksin came up totally empty-handed in the southern provinces, and publicly admitted that the result was a "wake up call," which he blamed on the "law and order" situation in the southern provinces where over 500 have died in the past year, through a combination of an insurgency, and bloody over-reaction by Thai troops.

Malaysia Offers Master Plan To Rebuild Banda Aceh

Malaysia has offered to draw up a master plan for rebuilding Indonesia's tsunami-ravaged Banda Aceh province, which could include relocating the city on higher ground, constructing 120,000 new homes, and building a breakwater to prevent a repeat of the disaster.

A team of Malaysian town planners, engineers, architects, and surveyors flew in to Banda Aceh Feb. 5-6 to follow up on an offer made by Malaysian Prime Minister Abdullah Ahmad Badawi to Indonesian President Susilo Bambang Yudhoyono. On Feb. 7, the team met a delegation of Malaysian ministers, including Deputy Prime Minister Najib Razak, who told AFP: "We can either use the existing location, build further inland, or move to higher ground, but it all depends on the Indonesian government."

The Malaysian planners propose to draw on their experience in developing the country's beautiful new administrative capital, Putrajaya. A concept for the rebuilding could be ready in a month and a master plan in three months, Najib said.

Malaysia proposes building 120,000 homes and "a very large" breakwater off the coast of Aceh to prevent damage by any future tsunamis, Malaysia's Works Minister Samy Vellu, who accompanied Najib, told reporters.

Najib said the "final shape [of the new Banda Aceh] will take into consideration the requirements of the Indonesian government and people, in terms of its architecture and philosophy. It will be based on Acehnese historical and cultural values."

The Indonesian president said in remarks published in Indonesia's *Republika* newspaper Feb. 8 that a blueprint to rebuild Aceh province would preserve its legacy as the entry point for Islam into the archipelago, which historically had earned Aceh the title as the "Veranda of Mecca." Specifically, the blueprint should not do away with Aceh's special characteristic as a center for Islam. The term 'Veranda of Mecca' should also not disappear at all, the eastern values and Acehnese customs should not be uprooted," Pres. Yudhoyono told the Indonesian newspaper *Republika*.

Philippines Debt Situation Now Worse than Argentina

In terms of the size of the public debt, the Philippines is worse than Argentina, according to a paper written by professors of the economics and political science departments of the Ateneo de Manila University, wrote the *Manila Times* Feb. 10.

Entitled, "Beneath the Fiscal Crisis: Uneven Development Weakens the Republic," the paper indicated that from 1995 to 2001, the ratio of Argentina's public debt to its economy rose from 35% to 65%. In the case of the Philippines, this ratio has risen from close to 50% to 84% in the 1997-2004 period. "This is much higher than that of Argentina and should be cause for concern," the paper said, adding that the Philippines is more heavily indebted to foreigners than Argentina.

"From 1990 to 2000, Argentina's external debt to [gross domestic product] ratio rose from 44% to 51 percent. In the case of the Philippines, external debt from 1997 to 2004 has risen from 52.2% to 70.4 percent. This makes the Philippines strongly vulnerable to world interest rate increases, as [this] would further hike [the country's] debt service requirements," the paper said.

From 1991 to 2000, primary fiscal surpluses in Argentina averaged 0.15% of GDP while interest payments averaged 2.4%. In contrast, the Philippines has run primary fiscal deficits from 1997 to 2004, ranging from -1% to close to -5%.

The Ateneo professors urged the government to focus not only on short-term cures such as revenue measures and expenditure cutbacks or debt reduction. "We also need to focus on the need to dilute the concentration of economic power and wealth in a small segment of Philippine society, and on achieving a sustainable growth that is more evenly distributed across regions and sectors of the economy," they said.

Recent official data showed that the public-sector debt has reached P6 trillion, from 2003's P5.4 trillion.

In 2004 the government spent 81% of its revenues to pay for both interest and principal amortization of its debt, or more than P4 of every P5 it generated from both tax and non-tax revenues. "The situation is projected to get worse, not better, in 2005," the paper read.

For this year, the government is allocating the equivalent of more than 90% of projected revenues to interest and principal payments for outstanding debt.

Rumsfeld Plans First Trip to China

Pentagon officials announced on Feb. 8 that Secretary of Defense Donald Rumsfeld plans to visit China, although they did not provide a specific date. The news came in the course of a report on a visit to China in early February by a team headed by Deputy Assistant Secretary of Defense Richard Lawless. Rumsfeld has refused numerous invitations to visit Beijing in the past, and has long been one of the "China hawks" among the neo-con Chickenhawks.

One issue to be discussed on the trip is the establishment of a "hot-line" between the Pentagon and the Chinese military, an idea which the Chinese agreed to consider during the Lawless visit, the officials reported.

Meanwhile, outgoing neo-con provocateur in the State Department John Bolton, in Tokyo Feb. 8, accused China of not doing enough to stop Chinese companies from "proliferating" arms to Iran and others.

Africa News Digest

France Demands List of Israeli Firms Selling Weapons to Ivory Coast

The government of France has demanded that Israel turn over the list of Israeli companies selling weapons to the government of the Ivory Coast. France holds Israel responsible for selling to the Ivory Coast the weapons systems it used to attack French peacekeeping forces last year, which led to the deaths of several French soldiers.

This latest demand follows one by the French last year that Israel freeze all weapon sales to the Ivory Coast. Israel claims it has. Nonetheless, since Israeli weapons dealers are the original source of equipment bought in Eastern Europe, an official Israeli weapons freeze means very little.

One of the Israelis involved is weapons dealer Moshe Rothschild, who sold military drones to the Ivory Coast government, which the French claim were used in the attack on its nationals. It is even believed that Israelis could have been operating the equipment.

Another Israeli dealer is Hezi Bezalel, who sold a surveillance system to the government manufactured by the Israeli Verint Systems. Bezalel is a longtime player in the weapons business in Africa, and is the "honorary consul" of the Ugandan government in Israel. He is also a business partner of notorious Gen. Caleb Akandwanaho, better known as Salim Saleh, the brother of Ugandan President Yoweri Museveni. And, he is the head of the Israeli-Ethiopian Friendship Association, Ethiopia being another country to which Israel has sold a great deal of weapons.

Iraqi Minister Targets Sudan for Feeding Iraqi Insurgency

Speaking at a counterterrorism conference in Saudi Arabia on Feb. 7, Iraqi Interior Minister Falah Al-Naquib went out of his way to single out Sudan's alleged role in feeding the insurgency in Iraq, claiming that 30% of the foreign fighters inside Iraq are from Sudan.

This Week in History

February 14 - 20, 1777

Franklin Skewers the British Ideology: — 'The Sale of the Hessians'

Benjamin Franklin was a master of satire, and well he might have been, seeing that he was trained by the circles of the great satirist, Jonathan Swift. When Franklin was sent to France by the Continental Congress after the outbreak of the American Revolution, part of the work which he took upon himself, was to counter the well-financed British propaganda machine which was pouring out disinformation, trying to convince the Europeans that the Americans were in the wrong, and would soon re-enter the British Empire. Franklin wrote to acquaint Europeans both with the higher purpose of America's drive for independence, and with the real face of the evil which the Americans were trying to eliminate.

In October of 1775, King George III had sent a message to the British Parliament characterizing the disturbances in the American colonies as a "desperate conspiracy" to establish "an independent Empire." Britain needed a greatly expanded army and navy to maintain its hold on America, but recruiters were unable to obtain the required cannon fodder. So royal agents had been sent to various German rulers to hire whole chunks of their standing armies to send to America under British command. This action by the King hit Americans like a thunderbolt, and the Declaration of Independence attacked George III for an action "unworthy the head of a civilized nation."

A British treaty with the Duke of Brunswick produced 4,300 soldiers, in return for more than 11,000 pounds sterling, and twice that much each year for two years thereafter. In addition, the Duke received a payment of "head money" for each man who was sent, with a similar payment of seven pounds for each man killed. And according to the custom of hiring mercenaries, three wounded soldiers counted as one dead man.

Six German states—Brunswick, Hesse-Cassel, Hesse-Hanau, Waldeck, Anspach-Bayreuth, and Anhalt-Zerbst—sent almost 30,000 men to America, of whom 12,000 never returned home. Almost 5,000 of them deserted to stay in the New World, encouraged to do so by American descriptions of the kind of life which would be available to them in America, which were printed on small pieces of paper and stuffed into tobacco pouches. These were left in strategic places where the Americans knew the pipe-smoking German soldiers would find them.

More than half of the mercenaries came from the principality of Hesse-Cassel, and thus all the German soldiers came to be known as "Hessians." The ruler of Hesse-Cassel was so in love with money that he stripped his own kingdom of one out of

every four able-bodied men. But Franklin turned the British blood money against itself, demonstrating how the oligarchs' total disregard for human life led them not only to blatant killing, but also to numerous varieties of indirect murder. And all this they did while mouthing pious sentiments of "morality."

Franklin crafted a satirical letter, known as "The Sale of the Hessians," which laid bare not only the evil practiced by the German princes, but also the Satanic outlook of the British Empire, which followed the doctrine of "Every man has his price." Franklin's letter was dated Feb. 18, 1777, and was supposedly written by a Count de Schaumbergh to a certain Baron Hohendorf, the putative commander of the Hessian troops in America. The Count opens his missive by saluting the Baron and then continues: "On my return from Naples, I received at Rome your letter of the 27th December of last year. I have learned with unspeakable pleasure the courage our troops exhibited at Trenton, and you cannot imagine my joy on being told that of the 1,950 Hessians engaged in the fight, but 345 escaped.

"There were just 1,605 killed, and I cannot sufficiently commend your prudence in sending an exact list of the dead to my minister in London. This precaution was the more necessary, as the report sent to the English ministry does not give but 1,455 dead. This would make 483,450 florins instead of 643,500 which I am entitled to demand under our convention. You will comprehend the prejudice which such an error would work in my finances, and I do not doubt you will take the necessary pains to prove that Lord North's list is false and yours correct.

"The court of London objects that there were a hundred wounded who ought not to be included in the list, nor paid for as dead; but I trust you will not overlook my instructions to you on quitting Cassel, and that you will not have tried by human succor to recall the life of the unfortunates whose days could not be lengthened but by the loss of a leg or an arm. That would be making them a pernicious present, and I am sure they would rather die than live in a condition no longer fit for my service. I do not mean by this that you should assassinate them; we should be humane, my dear Baron, but you may insinuate to the surgeons with entire propriety that a crippled man is a reproach to their profession, and that there is no wiser course than to let every one of them die when he ceases to be fit to fight.

"I am about to send to you some new recruits. Don't economize them. Remember glory before all things. Glory is true wealth. There is nothing degrades the soldier like the love of money. He must care only for honour and reputation, but this reputation must be acquired in the midst of dangers. A battle gained without costing the conqueror any blood is an inglorious success, while the conquered cover themselves with glory by perishing with their arms in their hands. Do you remember that of the 300 Lacedaemonians who defended the defile of Thermopylae, not one returned? How happy should I be could I say the same of my brave Hessians!

"It is true that their king, Leonidas, perished with them: but things have changed, and it is no longer the custom for princes of the empire to go and fight in America for a cause with which they have no concern. And besides, to whom should they pay the thirty guineas per man if I did not stay in Europe to receive them? Then, it is necessary also that I be ready to send recruits to replace the men you lose. For this purpose I must return to Hesse. It is true, grown men are becoming scarce there, but I will send you boys. Besides, the scarcer the commodity the higher the price. I am assured that the women and little girls have begun to till our lands, and they get on not badly.

"You did right to send back to Europe that Dr. Crumerus who was so successful in curing dysentery. Don't bother with a man who is subject to looseness of the bowels. That disease makes bad soldiers. One coward will do more mischief in an engagement than ten brave men will do good. Better that they burst in their barracks than fly in a battle, and tarnish the glory of our arms. Besides, you know that they pay me as killed for all who die from disease, and I don't get a farthing for runaways.

"My trip to Italy, which has cost me enormously, makes it desirable that there should be a great mortality among them. You will therefore promise promotion to all who expose themselves; you will exhort them to seek glory in the midst of

dangers; you will say to Major Maundorff that I am not at all content with his saving the 345 men who escaped the massacre of Trenton. Through the whole campaign he has not had ten men killed in consequence of his orders.

"Finally, let it be your principal object to prolong the war and avoid a decisive engagement on either side, for I have made arrangements for a grand Italian opera, and I do not wish to be obliged to give it up. Meantime I pray God, my dear Baron de Hohendorf, to have you in his holy and gracious keeping."

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[top of page](#)

[home page](#)