

[return to home page](#)

This Week You Need To Know

Chickenhawk Down

by Jeffrey Steinberg

In response to the James Baker III and Lee Hamilton-directed Iraq Study Group report, President George Bush and Vice President Dick Cheney turned to their chickenhawk allies at the American Enterprise Institute to craft a counter-plan, based on the fantasy premise that a "surge" of American troops could secure victory in Iraq before the 2008 Presidential elections. On Dec. 14, AEI Fellow Frederick Kagan released the AEI utopian scheme, "Choosing Victory: A Plan for Success in Iraq Interim Report." The 52-page power-point presentation, delivered by Kagan at an AEI forum, argued, in effect, that a two-year "surge" of upwards of 50,000 additional U.S. combat soldiers into Baghdad and into the Sunni stronghold Al Anbar Province, would break the back of the resistance and bring peace and stability to Iraq. The AEI document outright rejected the idea at the heart of the Baker-Hamilton study: That the U.S. must negotiate directly with all of Iraq's neighbors including Iran and Syria, and settle the Israel-Palestine conflict, if there is any hope of stabilizing Iraq and withdrawing the American forces—without having to shoot their way out of the country.

In fact, the Kagan scheme, according to sources familiar with the latest neo-con maneuverings, is premised on the creation of a Sunni bloc of "moderate" states, that will confront Iran and the Shi'ites throughout the Persian Gulf and Eastern Mediterranean region—in de facto alliance with Israel. Unspoken, but underlying the "Choosing Victory" plan is the ludicrous idea that Saudi Arabia will cut off the flow of funds and weapons to the Sunni insurgents, thus hastening their defeat. The "Sunni bulwark" scheme, which was peddled to Saudi Arabia's King Abdullah by Vice President Cheney when he visited Riyadh in late November, just before the release of the Baker-Hamilton report, is premised on an expansion of the Gulf Cooperation Council (GCC), to include Egypt and Jordan; and the buildup of a military alliance between the "GCC-Plus-Two" and NATO.

As *EIR* warned in the "Behind the Cheney Trip to Riyadh" report of Nov. 27, any move by the Anglo-Americans to provoke a Sunni versus Shi'ite confrontation would lead, rapidly, to the outbreak of a new Hundred Years War, that would rapidly spread out from Southwest Asia to engulf the entire planet.

If there was any doubt that the Kagan AEI report was cooked up with Cheney complicity, to insure that the Baker-Hamilton report would be "dead on arrival" at the White House, National Public Radio reported, on Dec. 21, that Kagan, along with Elliot Cohen and other participants in the AEI "Choosing Victory" study, met with President Bush at the White House earlier in the week, and received strong support for their "surge" scheme. This, despite the fact that the Joint Chiefs of Staff have unanimously opposed the idea of sending more U.S. troops to Iraq, arguing that the U.S. Army and Marine Corp are already at the breaking point, and cannot sustain any additional combat deployments.

Gen. Abizaid Bows Out

One casualty of the Bush-Cheney persistent chickenhawk insanity is Gen. John Abizaid, who announced on Dec. 20 that he

would be retiring from the U.S. military in March 2007. The current Commander of the Central Command reportedly decided to publicly announce his retirement now, because he is convinced that the Bush-Cheney White House is committed to military action against Iran before they leave office. The recent deployment of an additional U.S. Navy carrier group to the Persian Gulf, according to the sources, is targeted against Iran—not part of the expansion of U.S. military forces combatting the Iraqi insurgency.

While the AEI "Choosing Victory" report was written by Frederick Kagan and represented his views alone, the final powerpoint page listed the participants in the study group. Apart from several retired military officers, including Gen. Jack Keane and Lt. Gen. David Barno, the task force was stacked with the neo-con "usual suspects," including many of the participants in the Project for the New American Century (PNAC). Frederick Kagan, brother of fellow neo-con Robert, and son of Straussian professor Donald Kagan, were all on PNAC. Other AEI task force participants included PNAC co-founders Thomas Donnelly and Gary Schmitt. Other leading task force neo-cons include Michael Rubin, Reuel Marc Gerech, and Danielle Pletka.

An expanded version of this article will appear in next week's InDepth.

This Week You Need To Know

New Year's Message from the Schiller Institute: Finally! Good News from the U.S.A.: New Hope for Germany

by Helga Zepp-LaRouche

The following is a translation of a mass leaflet now being circulated in Germany:

Dear Citizens,

The Democratic victory in the U.S. Congressional elections on Nov. 7 brings tidings of hope for Germany. The Democrats' landslide victory was due in large part to the massive increase in voter participation by young Americans aged 18 to 35. And this shift in attitude in a growing number of America's youth, has become a decisive factor in international policy-making and in America's foreign policy.

There is also a second change in America with worldwide significance, and that is the timely coincidence of this Democratic election victory with the release of the so-called Baker-Hamilton Report, which contains proposals for a fundamental change in U.S. policy toward Iraq and toward the ever-expanding civil warfare in Southwest Asia. Despite the bullet-heads in the White House, quite another attitude prevails in the rest of the United States. Direct talks being held by a number of U.S. Congressmen, including former Presidential candidate Sen. John Kerry, with governments in the region, are hopeful signs that the nightmare currently engulfing Southwest Asia, can be ended by joint efforts by the United States and Europe.

If this new trend takes firm hold, concrete steps can then be taken toward dealing with the currently escalating civil warfare now threatening to spill over from Iraq, Lebanon, and the Palestinian districts, into the entire region. And this change in the United States is of no less importance for solving the dramatic systemic crisis of the world financial system, because beyond the United States, there is no other nation or group of nations which is capable of effectively proposing and implementing the measures required to overcome the most dramatic, imminent global financial panic to have faced the world in centuries.

The Democratic landslide victory now opens up the possibility that in the short term, the United States will introduce reforms in the tradition of Franklin D. Roosevelt, and, in cooperation with the key nations of Eurasia and Ibero-America, will not only halt the current plunge into worldwide economic depression, but will also cause a turnaround of the world economy, through reconstruction.

The new spirit among young American voters was most prominently catalyzed by the LaRouche Youth Movement, and has created a change of heart in the Democratic Party as a whole. If this new spirit grows stronger still, then we in Germany, as well as those in other European nations, will be able to play an important role in shaping world policy to the benefit of all humanity.

These transformations in U.S. political affairs are crucially significant for us here in Germany, because they give our citizens hope that there is a way out of the economic crisis, and that it is possible to master the other dangers threatening us. Among these are the prospects for long-term economic cooperation on the Eurasian continent, in which Germany can and must play a central role, if we are to overcome mass unemployment.

If the United States implements reforms in the tradition of Roosevelt and his New Deal—i.e., if it provides long-term government credit for productive investment in infrastructure, industry, and agriculture—then we in Germany and other European nations can introduce similar measures, in the tradition of the Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency)'s credit policies, and of the post-World War II "German economic miracle" era. Such an economic reconstruction program is the best antidote to the despair and fear which has been spreading among the population on both sides of the Atlantic.

Because the greatest danger threatening Germany today—one which is widespread both in the population and among political leaders—is cultural pessimism, and the paralyzing feeling that, "You can't change anything." This cultural pessimism had fatal consequences during the 1930s. And of course, the situation in Germany today is indeed catastrophic: There has never been a time when political leaders, managers, and the so-called cultural elite have been as completely discredited, as today. And of course, the media are completely rigged, and instead of confronting people with reality, they have launched one wave after another of black propaganda against us. And even though, according to a new poll, some 58% of all German citizens would like to abandon the euro and return to the deutschemark, there currently exists no institutional opposition to the dictatorship of the European Central Bank and of the Maastricht Treaty.

It should therefore be clear enough to every well-informed citizen, that the crisis in Europe cannot be overcome without the cooperation of the United States. And that is why the positive news of the changes in America are so crucially significant: We in Germany can regain hope, and we can now seize the future opportunities which many in our country had lost all hope of attaining.

We in Germany must also rediscover our soul: i.e., we must revive the ideas of our great poets, philosophers, and scientists—ideas which are by no means outmoded, but which rather carry with them a power against which the thoughts and utterances of today's "elites" are downright pitiful. I'm referring to the ideas of Nicholas of Cusa, father of modern physical science and of the modern nation-state, and to the ideas of Johannes Kepler, whose scientific method is still today highly applicable to solving economic problems.

I'm referring to Gottfried Leibniz, whose ideas were a determining influence on the American Constitution; and to Carl Friedrich Gauss and Bernhard Riemann, whose concepts are indispensable for organizing today's physical economy. And I'm speaking about the importance of the music of Bach, Mozart, Haydn, Beethoven, Schubert, and Schumann for the development of the individual's creativity. I'm referring to the importance which Gotthold Lessing, Moses Mendelssohn, and Friedrich Schiller give to aesthetical education for the development of a beautiful personality; and of the scientific knowledge of Friedrich List concerning the difference between the "American" and the "British" systems. Just to name a

few.

The Solidarity Civil Rights Movement (BüSo) is firmly committed to bringing about a renaissance of this great cultural tradition, so that out of this, something completely new can take shape. The shift in the United States was effected by the LaRouche Youth Movement there; but Germany, too, needs a new politics, and the LaRouche Youth Movement in the BüSo is going to play a prominent role in making sure that happens.

Provided that we, in alliance with America, unite economic reconstruction with a renaissance of Classical culture, Germany will have all the opportunities in the world to shape our future!

Yours,

Helga Zepp-LaRouche

Latest From LaRouche

We Need Young People Who Are Hungry for a Future of Civilization'

by Lyndon H. LaRouche, Jr.

This is a substantial excerpt from LaRouche's closing remarks to the conference of the Civil Rights Movement Solidarity (BüSo), held in Frankfurt/Main, Germany, on Dec. 17.

... Let's go to the larger issue: We are not a drinking and marching society. We are an organization internationally, which is dedicated to the purpose of trying to save civilization from a catastrophe which has taken over the world since the death of Franklin Roosevelt. At the time that Franklin Roosevelt died, he was committed to ending colonialism internationally. That had been his commitment to Churchill, *before the war ended*, before his own death. Had he lived, colonialism would have disappeared immediately.

And the objective of Roosevelt, with his design for the United Nations, was to create an organization of sovereign nation-states on this planet, which would then use that as a vehicle for cooperation among respectively sovereign nation-states, to end the injustice, associated with colonialism and similar practices, and to finally bring about a community of nation-states on this planet, committed to joint, mutual progress, consistent with the same principle as the Treaty of Westphalia.

Truman immediately moved to sabotage the essential features of Roosevelt's program. Roosevelt's program continued, in terms of the international monetary system, for a number of years. It continued in the form of the Bretton Woods system, which was employed in Germany, as well as other places. But by the middle of the 1960s, after the assassination of President Kennedy, at that point, we began to go to Hell.

Now, the whole purpose here, *from the beginning*, the whole reason for the problem which we're in today, globally, is the fact that the Anglo-Dutch Liberal system had tried to bring Hitler into power, and did bring him into power; but the British then turned around and did join with Roosevelt in combatting Hitler. The purpose of Roosevelt was, at the end of the war, to get to the point, as I described the kind of system he proposed. The British didn't want it. The British didn't want it, because they did not want the United States to exist, in its present form. They did not want a system that prevented the London-based, Anglo-Dutch Liberal financial interests—the same interests that control Europe today, from the top, through the ECB [European Central Bank] and similar kinds of institutions—that prevented those institutions that wished to

establish a policy we call today, "globalization": The weakening and elimination of the nation-state, the establishment of a Venetian-style empire, like the Middle Ages, in which the Anglo-Dutch Liberals, who are nothing but a continuation of the Venetian bankers, would eventually control the world—*exactly as you see today*, in the "Locusts" and similar kinds of phenomena.

This is the kind of world that's intended.

Now, in the United States, we have the following situation: The world is on the edge of not merely a depression. It's on the edge of a complete breakdown crisis, comparable to, but worse than, the Middle Ages, the so-called New Dark Age. This can be stopped. It can be prevented by a change in the monetary system, by reorganizing; reorganizing on the model, essentially, of the Bretton Woods system. We could reorganize, with cooperation among nations, and we could stop this. We could fix the dollar at a fixed exchange rate, as a community dollar, for the world. *This would stop the collapse.*

We would have to put banking systems into bankruptcy reorganization, but they would still function, as necessary, even in bankruptcy reorganization. We have to create large-scale credit, for investment credit in creating new industries and developing infrastructure. Without that, there is no recovery, there is no hope.

We are now a few hours, in history, away from doom.

The only place from which this rescue can be organized is the United States. China can't do it. India can't do it. Europe can't do it. Germany can't do it. Russia can't do it. But if the United States *does it*, then other nations can cooperate with the United States in doing it, and we have something in that direction now.

What you saw, symptomized in Washington by the Baker-Hamilton Commission, which, if you look at it carefully—and some of you, I think, have—what you see is a potpourri, a collection of proposals, including the same thing that we proposed back in 2004 for Southwest Asia: That is, to have the nations such as Syria and Iran, and other nations, cooperate in the Middle East around a Palestinian-Israeli peace negotiation to stabilize the entire region, as a solution for the ongoing war. *That proposal is essentially in the Baker-Hamilton Commission report.*

Now, the Baker-Hamilton Commission was the product of a process, not something that was the same at the time it came out as when it started. When Baker and Hamilton saw how crazy the President was, President Bush, they knew they had to come out with a comprehensive proposal, not simply a few suggestions. So what they did is, they said, "We have to go all the way. We have to specify the Israeli-Palestinian peace, because without that, without the Madrid Process, as it's called now, there's no hope for the Middle East." Don't talk about Southwest Asia—there's no hope for it without that. You can't stick these pieces together. Without recognizing Iran—with *normal* diplomatic relations, not on conditions; without recognizing Syria, without conditions; without bringing Turkey into the question; without bringing Egypt into the issue, as well as all the other nations of the region, there is no possible hope for avoiding a general degeneration of this present, so-called Middle East situation—which could lead, itself, to a global conflagration, as big as World War II or something of that sort.

So the Baker-Hamilton Commission recognized this problem, recognized it on the basis of many people contributing, *including me*—not directly to the commission, but I've been involved in this, and I've been pushing hard for exactly this agreement. They adopted it! They're trying to shove it down the throat of the Presidency. We *know* this means we've got to fire, and get rid of Cheney. We know that we've got to put Bush in a cage, or impeach him, one of the two. And the Bush family is saying, "Well, put him in a cage, but a nice one. Keep him under control." So, there are efforts.

Prevent a New Dark Age

Now, the key problem is this. We know what the state of the economy is: We know how close we are to a general breakdown crisis—*not* a depression!—but a complete breakdown of the type that could cause *mass death* in this planet! To reduce the world population from over 6 billion to less than 1 billion. *We are facing that kind of potential*, if we get economic chaos now, on the planet. Because there is no simple way, without global cooperation, that *you could stop this depression from going into a Dark Age*. And it's about to come on now. We're weeks and months away at the most, from that point; we have to make a decision.

Now, in this process, here stand us. And when you consider our situation, you obviously have to think that maybe "normal" ways of thinking about politics *don't work* for a case like this. You have a very short term. You must make a very sudden change in policies of everything. You must *crush* the power of banking power. You must *crush* the hedge funds and the power they represent. You've got to put banks, of practically every country in the world [into receivership]—at least in Europe and the Americas, at least in the United States. You must put the Federal Reserve System into receivership by the Federal government! You must do the same thing in Europe! You must eliminate the ECB [European Central Bank].

You must go back to the nation-state. You must put national banking systems into reorganization, receivership. You must create large-scale credit, like the deutschemark system again. You must generate credit for investment in long-term, low-interest, infrastructure development, major capital-intensive infrastructure development, *as a driver for rebuilding industry!*

You've got to put 10% of the population of Germany that's now unemployed, back into employment. You can't solve the problem, unless you take those kinds of measures. You've got similar problems in Italy; you've got similar problems in France. Europe is becoming a post-industrial society! Take the case of Berlin: What you see in Berlin is a city being destroyed! It's agreed to kill itself! It's agreed to die! It is dying! One of the major industrial centers of Europe is dying! It's becoming a post-industrial center. It's a city that can not pay its taxes to keep its people alive! It's not allowed to, under the present treaty agreements, or the hidden clauses in the present treaty agreements. Without the reindustrialization of Berlin, there's not much chance for Germany.

What you're looking at is 50 years of long-term development, across Eurasia: high-technology development, tremendous investment in nuclear fission power, for water systems and other things, *now*. Get Don Quixote here, and get rid of these windmills. Build this kind of system: We can do it. But we have to make these changes.

Revolutionary Changes Required

How can such revolutionary changes be made? Well, it can be made by a revolutionary people. And where do you find revolutionary people? They are found, especially, where the American Revolution found its people. The American Revolution was made by people who were mostly between 19 and 25 years of age. They were the leaders of the American Revolution—with an old geezer like me, Benjamin Franklin, involved in it. Every great movement in history depends upon young people, generally adult youth—today, 18 to 35 (and 35 is kind of old) for leadership.

There's another thing that's required: You just can't use youth, because you see, what Elodie [Viennot] was referring to—youth can do some very nasty things, too. They can turn into animals; they can become neotenists, they can go back to the age of 12; you can find them at the age of 2 mentally, and emotionally; or even the age of 6 months, emotionally and mentally—they can be very destructive when they get large. So, you have to have a developed youth.

Now, the problem of this culture is, essentially, that the culture does not believe in creativity. Universities no longer promote creativity. What they do, is they keep the word "creativity," but they don't put the content in. They call masturbation "creativity," for example. It's virtually that kind of thing.

What has happened is, you are permitted "to learn" to do something. You're permitted like a monkey to learn to do tricks. The whole computer industry is people learning to do tricks with a toy, called a computer. But intellectually, there's nothing involved in this from the standpoint of human behavior which does not resemble what a chimpanzee can do! If you know the procedures, you can be a genius and so forth. But computer technology, making a computer, building and designing a computer: That does involve some science. Using it does not really require creativity. It requires ingenuity, but not creativity. It doesn't require human qualities.

Human qualities are those which [make] discoveries of universal physical principles, typified by Kepler's unique and original discovery of gravitation. And most people who studied physics don't know what Kepler discovered! They don't know what gravitation is, actually. They think they do. They know a *formula* called "gravitation." They believe that Newton, who couldn't find an apple, invented gravitation.

Gravitation was discovered by Kepler, by a process which exemplifies creativity. We use it in the education of the Youth Movement, not merely because it's something they should do, but because Kepler did something that nobody else ever did. Kepler wrote books, and papers, which contain, detail by detail, his process of experiment and discovery, step by step, over decades. So young people today, starting with the *Mysterium Cosmographicum* and going through his later writings, can re-experience the discovery of the principle of gravitation, by Kepler, blow by blow, day by day. That's what we have youth doing, in the basement out there in Windy Hill: actually going through the process of re-experiencing *exactly* what Kepler did, step by step, each of the experiments; each of the measurements; each of the problems that he faced; each of the problems he overcame: They're doing it! We went through the first thing on the discovery of gravitation; now we're going into the organization of the Solar System.

When they get through with that, they're going to do what Gauss did, how Gauss actually used Kepler to find out about asteroids and some other things. We will then take them into advanced dynamics, which is Riemannian physical dynamics. And they will have a core education, which is more advanced, with this program from our young people—a core program, more advanced, than they can get in a university! Because very few people who are university graduates know anything about Riemannian dynamics: And without knowing Riemannian dynamics, there's not much you can do useful in the world, in scientific programs. If you don't know what a thermonuclear fusion process is, and the equivalent, if you can't master that, you're not much use for the next 25 years to come.

And this is what we're going to be doing.

Creating Geniuses

So, therefore, what you're looking for are young people, of the type who, if they're bright and if they're given a good education, getting into a university, will actually become the creative geniuses that we need. Not just the greatest name in something, but actually great, capable geniuses who can do original discovery, who are trained in it, who are experienced in this process. We are generating that! With the youth program.

Another key thing is the question of music: If you do not know, if you have not gotten into the solution to what Furtwängler demonstrated often, with his excellence, what's called the Pythagorean comma, and the function of the Pythagorean comma in polyphony: If you don't have that experience, of actually discovering the agreement in counterpoint, the agreement which makes the whole thing make sense; if you don't have the emotional effect of discovering that, then you can't think creatively.

Therefore, the key thing has been, in a society which takes Classical composition, musical composition, and puts it in one category, and you put Classical drama in the same category; and then you put physical science in another category, and you keep the two separate: What happens is, the person may learn the formula, through an experiment and so forth, know how

to do the experiment, know the formula—but *they don't believe in a principle*. They believe in a mathematical formula, not a principle. Whereas, if the same mind, which is working in physical science, is also part of choral work, where they are developing the ability to sing in choral work, in such a way that they come to this agreement, which is the comma agreement: *They now know*. They feel. They sense. Because art is a social process. It uses the same mentality that you require for discoveries in physical science. It's a social process, and therefore, what you need to be a scientist, is to not only know what the physical experiment is, but to have a *passionate knowledge* of that. And a *passion* is a *social expression*. Human passion is a social expression; that is, creative passion, like love.

Love is a creative emotion, which is social in character. You have to connect the act of loving, in the social sense, to the act of discovery of universal physical principles. And when you combine the two in the same person, you have a creative personality. You have a person who is even more than just a creative personality: He or she is a true human being. And most people are human; they're born human. They have human capabilities, but those capabilities as humans are not really developed.

Especially since the 68ers were invented, back in 1945 to the early 1950s, they took creativity *out* of the curriculum, with the Congress for Cultural Freedom. They took creativity *out*, in the universities around the world; they took it out in the United States. They *destroyed* artistic creativity; they destroyed Classical art. Classical art performances today are a farce! They destroyed it! We have to put it back together again, in order to develop a *whole person*, who has artistic passion: At the same time they experience artistic passion and scientific passion of discovery of physical principles, as the same emotional experience. And we are achieving that with some of the youth. They *do* recognize—when they do the music as well as the science—they recognize that the passion associated with recognizing a universal physical principle and the passion of art, say, Bach, the *Jesu, meine Freude*, for example, which is a challenge in this direction. They recognize that as the same emotional experience.

Passion and Social Policy

Now, they have discovered passion. And something else comes up, then. The next question is: What does passion mean for social policy?

Well, what do you believe in? What is your self-interest? Now, I can tell you, at the age of 84, we all die, eventually. Some of us are more slow about this, and some of us faster. But we all die. So therefore, what's the purpose of living, if you're going to die?

The purpose of living is that you are, in some way, assured immortality. Not necessarily what some preacher tells you, but a genuine immortality. What's your immortality? It's the fact that your life means something. Means something to what? Means something to the human race, means something to the future of humanity, that when you have died, you will have contributed *something*, embedding it in the culture of society, which will be transmitted to future generations for the benefit of humanity to come. You now know, that your dead body, which is no longer functioning, is not the end of you: Because, what you have contributed, if you have made a contribution, lives on in your culture. It doesn't have to be original. But you have replicated an earlier discovery of principle, and you have thus *made it available* to more people. Therefore, from the standpoint of the future, the future can look back at you, and say: "You were a necessary existence. You are immortal. You have *earned your immortality*."

People who make revolutions, as I do, and who get old at it, and who go through frustration after frustration, where things that should have been solved yesterday, or within a few years, or a decade, aren't solved. They continue. The problems even become worse, as has been the case generally for the past 25-30 years—but you're doing it! You're becoming older! You're not going to reap the harvest of a rich, strong, healthy old age, able to do everything, fly to the Moon, fly to Mars. No, you're not going to do that! You're going to be dead, before that happens!

So, what are you living for?

You're living for the *outcome* of your life, not merely what you experience as a mortal living being. It's the *outcome* of your life that's important, the outcome of your life *for humanity* that's important. And unless you have a future orientation that reaches beyond the bounds of your mortal existence, you aren't much. You are like a monkey. When you die, you're gone! You've contributed nothing ... except maybe another monkey.

Whereas, if you're human, you've contributed, as all the greatest artists, all the greatest scientists, all the greatest statesmen have done—like Solon, who was defeated, but he wasn't defeated: Because what he represented was continued as an idea, as a principle, as a memory, as a commitment, all throughout *the entire history of European civilization to the present day*. Therefore, if you think not of what you're doing *to get pleasure of it, physically, in your life*; but if you're thinking of what you're doing *for humanity*, so if you die in the meantime, you can smile, because you know that what you've done is going to do good in the future.

Now, people who have that view, can be revolutionaries. And this time requires revolutionaries. To be a revolutionary, first of all, is to create more revolutionaries; that is, to create people who are creative. To develop people who are creative, not people who do the same thing, not people who are skilled, not people who are respected, not people who are powerful, not people who are rich, but *people who are creative!* Because only creative people are important. All other people aren't very important. Rich people aren't important, athletes aren't important, and so forth—only creative people are important: Because you contribute something to humanity. Your existence is justified, theologically and otherwise.

The Anti-Entropic Solar System

If you're like that, you're a revolutionary. Because you *don't* think the world is running down. You don't believe in entropy. You don't believe that the universe is running down, you don't think it's fixed, as some of the religious nuts do. No, the universe is just like the Solar System: The Solar System was, originally, a *l-o-n-e-ly*, fast-spinning Sun, *all by itself*, out there in space. All by itself, just spinning, and spinning—fast, too fast! It got a headache from spinning!

It spun off some material, a plasma, from the Sun. And this plasma formed a plane, around the Sun, looking much like the rings of Saturn. And this was plasma: It was organized in a coherent way, polarized, in effect. And solar radiation, which by itself would not normally develop anything higher than iron, in terms of fusion, developed what we call the 92 elements of the Mendeleev Table, until we began to do the transuranic work later on, with fusion processes.

So, it spun this material off. And this material, now containing the 92 elements, and so forth, with all the isotopes included, known at that time, spun off, as if distilled, into orbital pathways. And the material was distributed along the orbital pathways, until, as Gauss said, because of the elliptical character of the orbit, as determined by Kepler, this stuff would condense into a planet and moons—and it did!

So, now, the Sun has created a Solar System! And in the Solar System, there has been development. There has been fundamental physical development of new types of things. They say: "What's this? You mean, God's creative? You mean, the Creator is creative? You mean, the universe is not entropic? You mean, the universe is *anti-entropic*? It's creative?"

And what are we? We are in the likeness of that: Our destiny is to be creative. Our destiny is to create a higher state of organization. I think our destiny is to take over the universe. We're not going to do it tomorrow, but we may make a small step in the next couple of years, or the next couple of decades. We are going to change the universe. We are reaching out to manage the nearby part of the Solar System, with Mars. We will go farther. When we get into higher ranges of power, like the equivalent of matter reaction/anti-matter reaction systems, we will have systems where we can go out to the outer part

of the Solar System on a trip.

We are going to transform the planets. We are going to begin to terra-fy Mars, in the sense of terraforming it. We're already engaged in that. We are doing science on Mars and finding isotopes that exist there that don't exist on Earth. We'll find chemical reactions that exist on Mars, or that did exist on Mars that don't exist on Earth, to our knowledge. So, we are exploring the Solar System not merely as pioneers out there with wagons, trying to find a new continent; we're exploring the Solar System in order to understand the Solar System in a higher way, and be able to do things in it that we couldn't do before.

Now, therefore, people who think that way, who think in terms of the future of mankind, and think that it's a privilege to be alive, even for a short time—even at the age of 84, it's a privilege to be alive, because you have the opportunity to do something, which is of benefit for humanity. Whether you enjoy it or not, or get to enjoy it, is not important. The important thing is causing it to happen, is making that contribution.

Now, if you get young people—and some of our young people are like that! They're ragged. As you should know here, they don't get much money. They eat, once in a while, as they said. What do they do it for? They do it, because the impulse is, to change the society, to take this stinking mess and make something of it. And to feel that the life you're spending *means something*, maybe to your future experience, but certainly to times to come. You think about all the generations that were wiped out. You think in Europe, of all the generations that were wiped out; other parts of the world, wiped out. Think about conditions in Africa, where people are wiped out, by disease and other things! What did we do about it? Can we set into motion a system which assures that attention will be paid to those kinds of problems in the future? Are we going to improve the world, as a place to live in? And if we die in the effort, is that so bad, because we're going to die anyway? But let's die as heroes of humanity, not as drags, or people who are trying to get *pleasure* out of society.

Globules vs. Thinking People

What they did to us, to destroy us, which got us into this mess, was, the creation of the Baby-Boomer generation. Now, they didn't create themselves. They were created. They were created by a policy. The policy was: We're not going to have another United States. We're going to have the Anglo-Dutch Liberal system: Where people do not get so smart that they get freedom, they're not going to have governments that they control. Groups of bankers, like parasites, are going to control them: The Anglo-Dutch Liberal system, called "globalization"! Everybody's a globule.

They want that system. They want us to be stupid. They want our people to be stupid. They want us to know how to do things, as we like to have a cow know what to do, when you want it to do it—or a donkey, to do what you want it to do, when you want it to do it.

But not human, thinking people. Human, thinking people are citizens! They see themselves as equal to anyone else, in principle, in political, moral principle. But they see themselves, also, as responsible. Not simply as parasites, getting pleasures and satisfaction, but responsible for making a contribution to the future of humanity.

So these are the revolutionaries: Young people who have nothing, who know they have nothing physically. They don't get paid; they're hardly supported; you've got 16 of them in a room, or something, in Berlin. They don't get much support. But what are they dedicated to? They're dedicated to doing something with their life which makes their life meaningful.

Now, what we have in the United States, therefore, is this: We have young people like this. We have a limited number of them. But you should see what a limited number of a couple hundred can do! What they've done, is they've changed U.S. politics! Yes, I dreamed up the thing—but they did it! They changed the election result!

You had a situation where the House *might* have had a one-person Democratic majority—if that. A situation in which you would still have had Republican control of the Senate. *They changed it!* They went out and organized in our method of organizing, *my method* of organizing! They developed it themselves, but it was the method we got them to do. We organized them as a force capable of doing this. And they did it!

They went in, as Helga described this, and they uncovered the dead body inside the universities. They organized the youth of the universities—and beyond—and some of the professors. We *freed* the professors and students from this fascist control by Lynne Cheney, who was running the ACTA organization, which is a fascist organization! Goebbels would love it! Goebbels would probably be envious of what she did! She's more evil than Goebbels—and she moves around faster.

So this thing, we freed it. Then what happened is because we were organizing as I described to the LYM in Berlin on Nov. 3rd—that was the method of organizing we were using in the United States, which created a landslide Democratic Party victory in the House of Representatives!

So, what they did was that, and they went around and hit—just as I described it in Berlin, and it worked. It worked, in the sense that it catalyzed a mass movement. We increased the turnout of youth vote, in the age-interval between 18 and 35, by 10%. That 10% increment is what created the landslide victory. If we had been able to eliminate Howard Dean, who I called "Coward Dean"—and I'll get to this, it's an important point—if we had eliminated him, we'd have gotten ten more votes in the House of Representatives.

We went back, and we got *one* of those ten votes back, in this special election which just occurred in Bexar County, the San Antonio area, in Texas. And we did it, ourselves, in terms of winning the thing. We'd already won the election for them, by our margin of effort, by the time Bill Clinton came down; and Bill Clinton came down, because Clinton is an ally of mine—along with some other people, James Carville, the Democratic specialist. And we're in a fight against the Coward Dean faction inside the Democratic Party. And he came down, to support our effort in this county, and he got the whole area organized. And we got a real *landslide* victory, over a long-incumbent Republican opponent, in that special election.

The Revolutionary Margin

And we did that. How? *Our youth did that! Our ragged, unpaid youth!* Because they embody creativity. And because the way we organize the LYM in the United States, in a more matured way—the goal is the same thing here—is to create a nucleus of youth organizations in Europe, which are capable of doing this, of being genuine revolutionaries! Of going into a situation, where if you play the game by the existing rules, you've got a hopeless situation—entropy, defeat. Whereas, if you operate in this method, you create a *margin*, which is a *revolutionary margin*, around people who want fundamental changes, the fundamental changes that are needed, and you make the change.

Now, we're in that situation. If the United States doesn't do what it has to do, in the short term, there's not going to be much civilization on this planet for a long time to come. Germany can't do anything; Europe can't do anything. Russia might try to do something, but it's not capable of doing it. China won't do it. India won't do it. If we don't do it in the United States, and get Europe and others to cooperate with us, you don't have a chance for civilization.

It's almost like the same thing as Roosevelt did. We had a situation where the Nazis were running Europe. Now, the Nazis weren't merely Nazis, they were instruments of the Anglo-Dutch Liberals. If you look at the people that created the Nazi system, they were all Anglo-Dutch Liberals, or products of the same thing, and whatever riff-raff they could pick up to help them on the side. And the British were the ones who wanted Hitler in. They didn't want him to go *westward* first; they wanted him to go *eastward* first, and then the French and the British would get on the rear end of the Germans (that is what they like to do; that's why you wear thick pants, huh?).

But it didn't work that way; the Germans didn't want to do it, because the military said, "No, you're not going to get the German army, the Wehrmacht, dug into the depths of Russia, and have the British and French come in on your tail." They said, "You're going to attack west, first!" Contrary to Hitler's inclination.

So, they did end up attacking west, first. And Hitler would have won the war, but for the United States. Because, without Roosevelt, the British would have conceded and would have signed the treaty of surrender to Hitler, the same way the French fascists did, the French fascist government. And the British oligarchy, that fought on the U.S. side in World War II, was just as fascist as the French government—and just fully as fascist as anybody in the German government of that time.

So what you had, when you start talking about "Nazi this" and this kind of thing, it's a mistake! It's nonsense. These things are *instruments of power*! The question is, instrument of *whom*? Whose instrument are they? They're the instruments of the heirs of Venice. Of the Venetian oligarchy. The replication of the Crusades, the medieval organization, of the Norman Crusader and Venetian oligarch, which ran a system, which we would call today, "globalization." Globalization is the core.

The issue here, of the United States, is the following: Several times, the British thought they had knocked out the Americans. The British were concerned to maintain an empire, that is, to keep Europe under control. When the Anglo-Dutch organized the wars with Louis XIV, that was to tear up the Continent, in order for the British, the Anglo-Dutch Liberals, to dominate the Continent.

Then afterward, you had the Seven Years' War, in which Frederick the Great was involved, in which Frederick the Great was put in a situation, where he was actually deployed by the British, and even funded for a while by the British, in order to stir up a war on Europe! Everybody was against Prussia: Russia was against Prussia, Austria-Hungary was against Prussia, France was against Prussia—all this sort of thing. Frederick the Great did his job. He survived, the British withdrew further funding from him, and they set up what, through the Seven Years' War? They set up the British Empire, the empire of the British East India Company.

The Geopolitics of Empire

And ever since then, the British East India Company's relics—the British Liberals of today, the Anglo-Dutch Liberals, the financial crowd—have tried to control the world by what they came to call, later, "geopolitics": the power of this Anglo-Dutch Liberal power, originally through its maritime power, and then looking to air power later on, as a way of controlling the whole planet. And the way they managed the planet, is by trying to get Eurasia, in particular, to destroy itself by internal wars. And that's happened repeatedly. World War I was that. World War II was that. The so-called Cold War was that. To take a conflict to prevent the United States from prevailing.

Now we defeated them, really twice: Once with Lincoln. That was a surprise. And if you look at the number of corrupt Presidents we had after John Quincy Adams left—Jackson was a pig, and so forth. There were a couple of exceptions along the line, but all the way up to Lincoln from John Quincy Adams, were mostly pigs. But, suddenly, with Lincoln—boom! A victory! The British were defeated. Queen Victoria went dotty. Her son the Prince of Wales, the so-called Lord of the Isles, became involved in desperation.

Then, after 1876, you had the American influence abroad, because of the success of the United States after Lincoln's victory: Germany, under Bismarck, adopted the American System, and especially adopted things that even had not yet been adopted in the United States, from the works of Henry C. Carey. Carey came to Germany, personally, and was involved in organizing Bismarck's reform. He was the advisor to the German government in Bismarck's reform.

You had the same thing in Japan. You had the same thing in Alexander III's Russia and in other places. Suddenly, the

British see not only that the United States has survived, and they can't attack it militarily, directly, any more, but they find that replications of the American model of economy—in opposition to the British Anglo-Dutch system!—are now springing up in Eurasia.

Result? World War I.

To get World War I, what did they do? They killed the President of the United States; they assassinated him, in order to bring in Teddy Roosevelt. From Teddy Roosevelt—with a couple of exceptions along the way, but in general, from Teddy Roosevelt—until Franklin Roosevelt, the United States, was on the British side, was a puppet of the British.

Then Roosevelt popped out again, as Lincoln had popped out earlier, and suddenly, the tradition of the American Revolution, which sprung from the institutions of the United States, from the people, suddenly defeats it! So, the first thing the British wanted to do, once Franklin Roosevelt was dead, was: "Don't let another Roosevelt exist; and destroy the United States."

They went through a series of processes, the same way they played the game before, the same thing as geopolitics, but a different form: the so-called Cold War. The Cold War was the antecedent for the beginning of what you saw in Germany. Germany had won the battle [for reunification]. You think Germany's going to be rewarded? No! Germany's destroyed. Destroyed systemically by Anglo-French interests. No industry, it's not allowed. Berlin has to be destroyed in its industrial development. Globalization. The most developed nations of the world are being destroyed economically, by globalization. What is globalization? The elimination of the nation-state.

Now, what's our problem in the United States, right now, in the revolution? Take the case of Coward Dean: Why did Coward Dean want to *lose* the election, this year? He tried. Why? His policy was, you should restrict the campaigns of the Democratic Party to funding and orchestrating only customary voters. That is, don't try to bring anybody into the polls, who is not among the customary voters. Now then, engineer, together with the Republican apparatus, engineer the campaigns of the two parties, state by state. And decide that you're going to, do what? You're going to do what two bankers want to do, who control the Democratic Party: One is a Nazi, Felix Rohatyn. He's a direct descendant of Lazard Frères. The other is George Soros—you know what kind of pig he is.

So these two moneybags are the key controllers of much of the Democratic Party effort. They say, stick to the customary voters. What does that mean? Don't bring in people from the lower 80% and don't let youth in. Because the danger is, that if you get youth into the political process, and you get more people from the lower 80% participating, actively, in the political process—consciously, as a conscious process—you're not going to be able to control them! And as Rohatyn himself has said, against me, personally, "The danger is, he's another Roosevelt." And that's exactly what I am. Not really another Roosevelt, but the same kind of thing from his standpoint: Because, if we bring in the "other voters," the youth, the people of the lower 80% of income brackets who are sentient, willing to fight for things, like the Hispanic groups for example, we are going to cause a Roosevelt effect.

No 'Business as Usual'

Now, what we have now, we have a process in which the agreement is, we're going to get rid of Cheney. We're either going to get rid of Bush, or put him in a cage. That's what the commitment is now. There is not going to be any "business as usual" in the United States, from this time on. You're in a revolutionary period of upheaval: Radical changes will occur, one way or the other. Either we win, or the enemy wins. There's not going to be any "business as usual." We're in the middle of it; the fight is defined, against Coward Dean and other people, who are trying to manage the politics for the bankers, of the type I mentioned, for the sake of limiting electoral politics to "usual voters." Don't bring in the voters who are not "usual voters." Don't bring in large numbers of youth, that you don't control. Don't bring in a lot of people from the lower 80% of

family-income brackets, because you'll get a Roosevelt effect.

Because, when you bring in youth, and you bring in people in the lower 80%, what do they want? *They're concerned with issues of the General Welfare.* They're concerned with care for the people, with benefits for the people. They don't like "moneybags," who steal from them. Therefore, they vote against the moneybags, as they did with Roosevelt, and they vote *for*, and demand, politicians who will promote the General Welfare. And *that* is the American tradition.

We represent the best ideas of Europe, which were planted for safety in the United States, as far away from Europe as possible. Not from a Europe that we hated, but from the European oligarchy.

And you have systems in Europe, today, which are parliamentary systems. Now, a parliamentary system under the control of central banking systems, where politics is limited by a central banking system, is a colony. It is not a sovereign nation-state. And therefore, where people are trying to work within the framework, in Europe, of the existing notion of sovereign parliamentary government, they're in danger of three things: One, outright fascism. Two, absolute collapse of the economy, because there is no solution. And the third thing they have to face, is the fact the United States might succeed.

In which case, our job, from the United States and in Europe, in particular, is to make sure that we have an activation of a principle, a seed crystal, in each of the countries of Europe, which is ready to respond at the point that we are able to make a turn in the United States.

But the only chance for Europe, is the United States. If the United States does not change, the situation for Europe is hopeless. The situation for Eurasia is hopeless. The situation for the planet, is hopeless.

So this is not a game. This is not a sport. This is not speculation, this is not an investment. This is the salvation of humanity, at least for a long time to come. And we have to understand this, that we have to have revolutionaries. We have to think like revolutionaries, as I described that. We have to fix what's wrong with the world. We have to reach out, and create alliances and contacts with various parts of the world, bring ourselves into collaboration and discussion with them. We have to craft a system, which will save the planet. We have to advise these governments and peoples in other parts of the world, of what we're doing, tell them what our proposals are, so they have time to think about it, think of whether they're willing to adopt it or not. And therefore, in Europe—in Germany in particular—we need a Youth Movement of the type we have in the United States, functioning the way we are learning to function in the United States.

We need a factor of young people here, who are hungry in the best ways: hungry for a future for their identity; hungry for a future for the country which they inhabit; hungry for a future of civilization, hungry for a meaningful life.

U.S. Economic/Financial News

Economist Warns of Impact of U.S. Housing Bubble Blowout

In an interview with the Germany daily *Frankfurter Allgemeine Zeitung* published Dec. 19, Morgan Stanley's chief economist Stephen Roach recalled the bursting of the IT bubble in 2000, which wiped out 50% of the profits of the U.S. 500 leading companies. Roach underlines that the U.S. stands only at the "beginning" of the bursting real estate bubble, which he says, will have a major effect on the U.S. construction sector, the furniture industry, household machine production, mortgage financing, and realty companies. The effects of the crisis in the U.S. will be particularly felt in Asia and Europe.

2.2 Million Families Facing Foreclosure

In a Dec. 19 report that still understates the damage to be wrought by the popping of the Greenspan housing bubble, the Center for Responsible Lending (CRL) forecasts:

"As this year ends, 2.2 million households in the subprime market either have lost their homes to foreclosure, or hold subprime mortgages that will fail over the next several years." The study also shows that the worst failure rates (21-24%) will occur in the states which experienced the highest rates of appreciation, such as California, New York, Maryland, and Virginia.

A humanitarian disaster, "worse than Katrina" in the words of one speaker on a Dec. 20 telephone conference call about the new report, is about to hit.

Subprime loans, primarily made to black and Hispanic buyers, made up nearly one quarter (in dollar value) of all mortgages originated this year. The majority of these loans are not for an initial home purchase, but for a refinancing of a mortgage already gone bad. Prior to the recent housing market crash, many subprime borrowers were able to hang on by refinancing on the basis of appreciating equity paying their loans "in distress." With the general collapse in real estate values, many of these will now go into default.

But even without the collapse in values, the subprime market was designed with a built-in time bomb. In testimony to the Senate Banking Committee in September, Michael Calhoun, the President of the CRL, showed an example of the most typical subprime loan, known as a 2/28, with an "exploding ARM" (adjustable rate mortgage). Buyers can qualify for this type of loan if the original ("teaser") monthly payment is not higher than 61% of their after-tax income. At the end of two years, even without a rise in interest rates, the payment will typically rise to 96% of the purchasers monthly income! No wonder then, that the study conservatively forecasts that one-third of families who received a subprime loan in 2005 and 2006 will ultimately lose their homes!

The collapse of this market is already creating anger in the black and Hispanic community which was sucker-punched into the scam. A reporter from a Hispanic news service asked on the teleconference: "Will you now go back to those minority organizations who were told 'Hey, it's great to buy homes,' and take responsibility for what's happened?"

Millions of higher-income families who qualified for standard mortgage financing will soon also be facing catastrophe, as the collapse of housing values puts them into what the President of the National Association of Realtors called an "upside down" (negative equity) position.

New-Housing Market Keeps Tumbling

November housing permits were down 31% from November 2005, and year-to-date housing permits are down 14%, the Commerce Department reported on Dec. 19. November housing starts are down 25% from November 2005, while year-to-date housing starts are down 12.5%. November housing completions are essentially flat, but year-to-date housing completions are 3.1% above 2005 to this point.

Foreclosures Jump at 'Ground Zero' of the Housing Bubble

In the third quarter of 2006, 125 Loudoun County, Virginia property owners were forced into the foreclosure process, a dramatic increase over the first quarter of 2005, when there were only two, according to California-based firm RealtyTrac, in large part, due to rising interest rates on adjustable-rate mortgages. Seeking to avoid a "foreclosure tsunami," mortgage companies are offering more traditional loans with additional incentives to bring in new home buyers, as many

homeowners are unable to sell their properties otherwise. According to a home mortgage consultant in Leesburg, especially hard-hit by the housing market collapse are homeowners using the "minimum payment" option, which could lead to having negative equity—owing more than the original mortgage.

Sub-Prime Mortgage-Backed Securities Fall

The *Financial Times* reported on Dec. 22 that 100 major issues of sub-prime mortgage-backed securities have been downgraded in the past six weeks by the Fitch ratings agency alone, and that investment banks are also taking losses in these markets. "Subprime mortgages have been big business for investment banks," says the *FT*, and \$500 billion of securities based upon those mortgages—which have shown a 50% increase in serious delinquencies and defaults since June—have been issued in the United States in 2006.

Hedge Funds Fight Over Control of Delphi

Delphi's No. 2 shareholder, Highland Capital Management, has proposed a takeover-investment of \$4.7 billion for Delphi. This announcement came just two days after Cerberus offered Delphi \$3.4 billion. Highland sent a letter to the shareholders stating that theirs is a superior offer. These firms are betting they can profit by buying Delphi cheap and cutting costs.

The International Union of Electrical Workers has asked the bankruptcy judge to block the proposed \$3.4 billion deal between Delphi and Cerberus. The DUE is saying that Cerberus has not announced its plans regarding the company to the unions.

The bankruptcy judge is to review the offers on Jan. 5, 2007.

Private Equity Funds Target Auto-Parts Makers

The Dec. 21 *Wall Street Journal* details how New York-based KPS Special Situation Funds and other private equity funds are circling the auto-parts industry like vultures. The *Journal* highlights KPS and how it has turned a big profit out of a collapsing auto-parts maker named Jernberg Industries in Illinois, that once made metal stampings for the big three auto makers. After KPS took over the company, it fired the upper management, and pressured the management to lay off or fire 125 employees out of the 700 employees they had before the takeover. KPS also shortened the work week and cut overtime pay. One of the founders of KPS is Eugene Keilen who was a restructuring banker at Lazard Ltd., where he advised steel companies and the union at United Airlines. The article offers this takeover as a model for how private equity funds should "turn around" the auto parts industry.

Hunger Continues To Rise in Most Major Cities

The U.S. Conference of Mayors (USCM) and Sodexo, Inc., released their 2006 Hunger and Homelessness Survey on Dec. 14. "This survey represents *real* people with *real* needs in cities all across our nation," insisted USCM president, Trenton, New Jersey Mayor Douglas Palmer. "The results of this report shed light on a very real challenge facing this nation," asserted Des Moines, Iowa Mayor T.M. Franklin Cownie, co-chair of the UCSM task force on hunger and homelessness.

Among the findings of the survey of 23 major metropolitan areas:

* Overall requests for emergency food assistance increased by an average of 7% compared to a year ago, with 74% of the cities surveyed recording an increase. Moreover, *all* of the cities reported that families and individuals relied on emergency food assistance facilities *both* in emergencies and as a steady source of food over long periods of time. The largest

increases were in Phoenix, Los Angeles, and Philadelphia.

* On average, 23% of the requests for emergency food assistance went unmet during the last year. In 26% of the cities, facilities had to turn away people in need due to lack of resources.

* Some 37% of the adults requesting food assistance were employed.

World Economic News

Bonfire of the Buyouts: Worldwide M&A Frenzy

Thanks to a large number of hostile takeover bids, 2006 was a record year for mergers and acquisitions (M&As), as both the Swiss *Neue Zuericher Zeitung* and London's *Financial Times* pointed out in their annual financial reviews on Dec. 21. With deals valued globally at \$3.9 trillion, this represents a 30% increase over 2005, and is 16% higher than at the height of the dotcom boom of 2000.

The number of companies launching hostile bids rose dramatically in 2006, totalling 355 compared to 94 in 2005, and way above the record of 272 set in 1999. With \$500 billion worth of deals in 2006, the financial services business has now become the most active sector for mergers and acquisitions, far outstripping the telecom and property sectors, each of which had \$400 billion in deals. Delusional bankers told the *FT* they are "optimistic" that this pace of activity will continue in 2007.

Some of the deals announced just this week:

* PUBLICIS paying \$1.3 billion for Digitas. So the synarchist, Paris-based ad firm, is getting a digital marketing capability.

* MITTAL, the global steel cartel, reached an accord to buy the Mexican steel firm, Sicartsa, for \$900 million.

* OHIO bank mergers. Huntingdon Bancshares of Ohio, is merging with Sky Financial, also Ohio-based, for a \$3.29 billion cash and stock deal.

* Express Scripts' hostile takeover of Caremark Rx—a merger of two of the biggest "pharmacy benefit managers" of the HMO jungle—involves \$14 billion in new debt, which is nine times the annual earnings of the combined target company. Caremark Rx debt was quickly downgraded to junk as a result.

* Qantas Airways takeover by the pirates of Macquarie and Texas Pacific Equity Fund involves \$9 billion in new debt, 15 times Qantas' earnings; the Australian government warned Dec. 18 that Qantas' debt will be junk-rated and the government will not bail it out in future. There is a desperation attempt by the Qantas pilots' union to buy enough shares to stop the takeover.

* Apollo Management Group's (private equity fund) takeover of Realogy Corp.—which owns Century 21 and Coldwell Banker real estate companies—involves \$7 billion in new borrowings from JP Morgan Chase and Credit Suisse. Realogy's debt was immediately downgraded to junk on Dec. 19, and the cost of insuring its debt against default leaped up, from 0.6% to 3% of the debt.

* USAir's attempted takeover of Delta will leave Delta with an immense \$23 billion in debt, as opposed to the \$10 billion debt it would have otherwise. This \$13 billion in new debt is more than 25 times earnings when last Delta had any earnings, in 2003. According to Delta's reorganization bankruptcy filing Dec. 19, the takeover would lose 10,000 jobs, 180 aircraft, and a 10% shrinkage of the combined airline. And absurdly, \$6 billion of the new debt is to be floated to *pay off unsecured Delta debt* which is now frozen in bankruptcy.

* The Harrah's casino takeover by private equity firms Apollo Management and Texas Pacific involves \$10.7 billion in new debt, or 13 times the target's earnings.

* The Freeport McMoRan Mining takeover of Phelps Dodge loads \$15 billion in debt on the combination of two corporations which had no net debt, and produces a combined junk-rated company from two companies whose bonds were AA-rated.

According to Thompson Financial, the leading banks behind the worldwide M&A frenzy are: Goldman Sachs, with a volume of \$1 trillion (472 transaction); Citigroup with \$900+ billion (395 transactions); Morgan Stanley with \$900+ billion (382 transactions); JP Morgan with \$860 billion (429 transactions); and Merrill Lynch with \$700 billion (300 transactions). Aside from these top five, Union Bank of Switzerland (\$620 billion) and Credit Suisse (\$620 billion) are runners-up. UBS's biggest merger consulting deal was Gaz de France with Suez (\$41 billion), although last month, France's Constitutional Council said the merger, as now constituted, violates current European Union deregulation rules.

Buyout Mania Is Building Up Another Debt Bubble

Apart from the looting of many targeted firms, the leveraged takeover boom looks to many financial regulators like a repeat of the U.S.-centered housing/consumer debt bubble which is now bursting, but on a huge corporate scale.

A New York financial community source reported on Dec. 22 that, of the 30-40,000 corporate mergers and acquisitions worldwide this year, only perhaps 1,000 have been "leveraged" takeovers [premised on placing large amounts of new debt upon the target firm in the takeover], but these account for more than half the market value and most of the debt. About half of these involve *hostile* leveraged takeovers and/or attempts, which bids often involve really huge amounts of debt and "valuing" the target company at 20-40% above its current market value. These really drive stocks for short-term investment strategies—not long-term, because these companies are usually being "taken private"; i.e., off the public listed stock markets.

M&As in general are now the main, nearly the whole, driver for the stock market, led by the large amounts of money to be made in playing the leveraged takeovers. Investment banks/lending banks are making huge fees on this, as much as 2.5% of the whole takeover loan (compared to normal corporate loan fees of 0.5% or less). Hedge funds are completely into it now, because it is more profitable than their previous derivatives-based strategies, which are getting harder and harder to work.

The strategy in the big leveraged buyouts now, is for the takeover firm or fund to try to get as close as possible to borrowing the *entire takeover price*, and use the cash flow of the target company for repayment. An example is the current attempt on India's (Hong Kong-owned) Hutchinson Essar communications firm, by Blackstone Group and Reliance Group (one of several competing bids targetting this company) for \$15 billion. All \$15 billion will be borrowed from Citigroup and UBS, if the takeover goes through.

Predators Taking Over 'Deutschland AG'

"For Sale" is the lead headline of the Dec. 18 issue of the German weekly *Der Spiegel*, with a front-page picture of a

gigantic locust. *Spiegel* details the recent offensive by big hedge funds and private equity funds, which already have transformed "Deutschland AG," with its traditional industrial culture, into a place increasingly taken over by "greedy" predators, whose only interest is to squeeze what they can out of the companies, make profit and sell them out as quick as possible. This leads to more unemployment and social misery, while the takeovers get riskier and riskier, leaving a credit debt which is heading for 30 billion euros in Germany.

Spiegel uses the example of the takeover of one of the biggest German commercial TV stations: Pro Sieben Sat.1 Media AG, which controls TV channels Pro Sieben Sat 1, Kabel eins, N24 and Neun Live, to illustrate the frenzy. The network was taken over by a major hedge fund "Premia," chaired by fund manager Thomas Krenz, for 3.1 billion euros. The Premia manager and the chief manager of KKR's European chairman, Johannes Huth, want to build a European media giant, which includes the ProSieben Sat 1 TV and SBS Broadcast.

This is only one among many PEF takeovers that have plagued Germany in the last weeks. More than 5,700 corporations in Germany are directed by hedge funds, such as Permira, KKR, Apax, Blackstone or Texas Pacific, writes *Spiegel*. Germany now has become *the* main battlefield for takeovers. Last spring, PE Blackstone acquired 4.5% in Deutsche Telecom; in 2004 Fortress acquired 80,000 apartments.

Worldwide, the PE raiders have \$3 trillion capital at their disposal for takeovers. Their credo is: "Buy it, strip it, flip it." *Spiegel* points out that there is naturally a certain duplicitousness among those who criticize the locusts, since some among the SPD leaders, like Franz Muentefering opened the door for private equity companies. Another is the trade union federation DGB which, while criticizing the PEFs, one year ago sold 20,000 apartments to Fortress. Huge chunks of apartments in cities and communes, that are overindebted, are now on the top of the PE raiding lists. At the same time, Dresdener Bank in a special study warns of a possible "bloodbath" for corporations that have been taken over.

South Korea Court Declares Leveraged Takeover Illegal

With the 2006 leveraged buyout bubble apparently reaching \$4 trillion or more, and threatening many nations with corporate debt blowouts, an effective way for governments to intervene and stop this destruction has been demonstrated in an important decision of the South Korean Supreme Court. In November, that court made an extraordinary decision, which reversed one apparently "successful" leveraged takeover, declared it illegal, and reinstated criminal prosecution against the CEO of the takeover company involved. This takeover, using debt borrowed against the assets of the company targeted for takeover, and the subsequent "restructuring" of the target firm to lower operating costs, had allegedly led to an increase in profits, and no personal diversion of funds or assets was involved.

The Supreme Court ruled the takeover a breach of fiduciary duty by the takeover firm, because of its and its CEO's *prior intent* to indebt the target company without compensation or benefit, and to subject the target company to economic burden, risk of default and impaired credit, risk of contraction. No post-takeover actions or results could be considered as disproving this criminal intent, the Court ruled: The criminal elements were complete, under the law, *before the takeover took place*, and were not compensated by any payments or economic benefits to the target firm which could be shown prior to the takeover. Thus, the Court ruled, the takeover was illegal—and by implication, the "leveraged takeover" *method* is illegal as practiced by the private equity pirates.

The decision was made in the takeover of an engineering firm of the Shinhan Bank group. It impacts other takeover battles and prosecutions in South Korea, including takeover specialists Lonestar and New Bridge Capital. Internationally, it provides a principled method for legislature, including the U.S. Congress, to stop the mad takeover wave.

Thailand Imposes Currency Controls

Imposition of strict exchange controls produced a 15% collapse in the Thai stock market on Dec. 19, and declines in the 3% to 4% range on other Asian exchanges. Measures announced, included requirements that 30% of any foreign investment in Thailand had to be pledged to stay in the country for one year—putting a halt to fast-buck trading on exchanges. The Thai Baht had risen 16% against the dollar in 2006 (compared to rises in the 6% range for neighboring countries), affecting earnings from export and tourism. Japan, which accounts for 38% of Thai foreign investment, had been warning they might prefer investing in China or Vietnam.

Following the market collapse, Thai Central Bank head Pridiyathorn lifted the controls as they affect stock market investments, but held them on real estate and bonds.

United States News Digest

21st Century Science & Technology Goes Electronic!

21st Century Science & Technology announced that it is now publishing the quarterly magazine online. The cover story of the first electronic issue is "Nuclear for Fuel and Water." Subscriptions are \$25 for six issues and \$48 for 12 issues; single issues are \$5 each. All can be purchased from the *21st Century* website store: <http://www.21stcenturysciencetech.com>.

Subscribers to the print *21st Century* magazine may transfer their subscriptions to the electronic version by filling out a form, accessible on the website homepage by clicking on "Subscribers Only." Subscribers will receive a username and password to access the electronic issues.

Among the articles featured in the first electronic issue are:

- * Science & the LaRouche Youth Movement We Can Solve the Water Problem! *by Creighton Cody Jones*
- * The World's Water Wells Are Drying Up! *by Lance Endersbee*
- * Freshwater from Nuclear Desalination *by Christine Craig*
- * Hydrogen from Nuclear Power *by Masao Hori*
- * South Africa's PBMR: World's Most Versatile Nuclear System *by Jonathan Tennenbaum*
- * In Memoriam : Gloria S. Farley (1916-2006): A Lifetime of Discovery *by Julian Fell*
- * How Statistics Fail Medicine: The Strange Case of Aspirin *by Cathy Helgason, M.D.*
- * Texas University to Build First HTR Research Reactor! *An interview with James Wright*
- * The Real Chernobyl Folly *by Zbigniew Jaworowski*
- * The Neo-Cons, Not Carter, Killed Nuclear Energy
- * A Speculator, a Prince, and a Neo-Con: Who's Sabotaging the PBMR?

Powell on 'Surge': Been There, Done That

"We tried that already," said former Secretary of State Colin Powell, when asked on CBS's *Face the Nation* on Dec. 17, about the idea of a temporary troop surge of 20-30,000 troops into Baghdad. Powell pointed out that this is what was done over the summer, with Operation Forward Together; thousands of troops were sent into Baghdad, but they haven't been able to stabilize the situation.

"I'm not convinced it will work," Powell said, adding that, if he were Chairman of the Joint Chiefs of Staff, he'd want to know exactly what the mission would be, and whether it is possible to accomplish it. He said that there aren't enough American troops to secure Baghdad. "We shouldn't just grab numbers out of the air," he said, noting that this would just mean keeping the existing troops there longer, and accelerating the arrival of others.

Powell noted that Army Chief of Staff Gen. Peter Schoomaker said recently that the active Army is broken. "He's absolutely right," Powell declared, adding that of all his contacts tell him that the Army has a serious problem, which has spread to the Guard and Reserve.

Otherwise Powell endorsed the Baker-Hamilton report's assessment, that the situation in Iraq is "grave and deteriorating." He noted that incoming Defense Secretary Robert Gates said, "we are not winning," and, Powell added, if we're not winning, then "we are losing."

Newsweek Editor: Bush Needs a Therapist

Asked on *The Daily Show* with Jon Stewart Dec. 12 about President Bush's response to the Baker-Hamilton report, *Newsweek* editor Fareed Zakaria said: "If we play the last game of the British Empire, over and over and over again, we're not doing so well.... The problem is that Bush actually believes that it's working. All these consultations [with experts and officials on Iraq] are a charade, that's my sense.... Without being flippant, I think that what Bush needs is not advisors, but a therapist."

GOP Senator: Fight Smart or Change Strategy in Iraq

Is the U.S. doing what British generals did in World War I? Sending troops into battle with little or no protection, guaranteeing needless deaths? This is the question posed by Republican Sen. Gordon Smith of Oregon on CNN's "Late Edition" Dec. 17, arguing that the current policy in Iraq is tantamount to being "street cops in a sectarian war.... I didn't vote for that and neither did the American people." British generals sent thousands of soldiers to their deaths in frontal assaults against merciless machine-gun fire, he recalled. They never had a chance.

Smith said that news reports of ten more U.S. soldiers killed in Iraq on Dec. 13 was the last straw for him. "Our strategy is not working ... either we fight intelligently for an objective that is obtainable," or we change strategy. He diplomatically pointed to George Bush's "determined streak," but added that now "is the time to rethink" this situation. "All of us in positions of responsibility are accountable" for what has happened in Iraq, he stressed. While it was important to have removed Saddam Hussein, Smith said, "we could have done it differently" to avoid the current disaster.

Jennings Files Contest in Florida Undervote Case

Democrat Christine Jennings filed the required notice before the Dec. 20 deadline to contest the outcome of the 13th C.D. race in Florida with the U.S. House of Representatives, should the Florida state court fail to order a revote.

The outcome of the race, where there was an 18,000 undervote for the Congress position in Sarasota County, was "wrong," Jennings says, "because they do not include thousands of votes that were cast in Sarasota County but not counted due principally to the pervasive malfunctioning of electronic voting machines."

Jennings' electronic vote expert, Dr. Charles Stewart III, proved that the number of undervotes correlated with the dates the machines were set up, and how many machines were set up on any given day. That is, Stewart found almost a 50% increase in the undervote recorded on machines set up after Oct. 11. Where there was an 11.8%, average undervote on machines set up before Oct. 11, that percent jumped to 17.5% from Oct. 12 on. When multiple machines were prepared on the same day, rather than just one, the undervotes also increased. Forty percent of Americans vote on touch-screen machines.

Even the ES&S (Electronic Systems & Software) expert, Dr. Michael Herron, reported, "*There is essentially a 100% chance that Jennings would have won the CD 13 race.... Jennings would have received a net advantage of between 3,068 and 3,359 votes.*" Jennings trails Republican Vern Buchanan by just 369 votes.

Jennings' filing with the U.S. House asks that it investigate ES&S voting machines, software, and source code, and order a re-vote. Democratic statesman Lyndon LaRouche called for a revote as soon as the massive undervote was reported.

Jennings' filing notes that the House has found the contestant entitled to the seat on numerous occasions—128, to be exact—and ordered the election voided, and the seat vacated, in another 66 cases.

Edwards To Announce for 2008

Aides to former Democratic Sen. John Edwards say he will most likely announce his 2008 Presidential candidacy for in the week after Christmas. He is expected to kick off his campaign in the Lower Ninth Ward of New Orleans, followed by a brief swing through the key primary states of New Hampshire, Iowa, and South Carolina. Edwards has spent the last year traveling throughout the United States, speaking at the grassroots level with citizens about the issues that most concern them. The Center on Poverty, Work and Opportunity, which he founded in February of 2005, and of which he is the Director, and his One America Committee, are the vehicles through which he has been addressing those issues and mobilizing Democrats and independents.

Edwards has also traveled internationally, to Africa and China among other locations, to gain some insight into how the U.S. is viewed abroad. He has emphasized that restoring America's leadership in the world should be a top priority of the next President. The United States must recover its "moral position.... The future of the world is at stake," he underscored in a recent address to the Silicon Valley, California Commonwealth Club. Although he states that poverty "is the great moral issue of our time," he has not specified his programmatic solutions to eliminate it.

Suicide Rate in Iraq Indicates Broken Army

In spite of a tone that things are getting better, the Army's Mental Health Advisory Team III report, released on Dec. 19, actually indicates that the mental health situation for soldiers in Iraq has gotten worse, not better, over time. The suicide rate among soldiers in Iraq in 2005 was 19.9 per 100,000, which compares to 8.5 per 100,000 in 2004 and 18.8 in 2003. The report downplays the suicide rate, however, because it compares favorably to the rate for the U.S. civilian population.

A qualified source told *EIR* that the report's finding that soldiers on multiple deployments suffer from more stress is no surprise. The suicide rate, however, is much more troubling, given that military personnel are routinely screened in ways that most civilians are not. "What this tells me," he said, "is that the long war is taking a toll. The longer we fight, the

higher this number will go."

"Even one suicide in this population is troubling," he added, "because this is not some crack addict off the street. These are people who have been screened, these are people who have been trained, they are part of a team, and when they pull the trigger and do something on the battlefield to take their own life, I think that we have to ask ourselves a bunch of questions."

An even bigger issue, the source noted, is what happens to these people when they come home. If the military is broken, as Colin Powell recently said, so is the military's medical system for taking care of its people and the Department of Veterans' Affairs' system for taking care of them when they leave the military. The enormity of the problem is indicated in the VA's own numbers. Out of 631,174 veterans of the Iraq and Afghanistan wars, as of November, 205,097, or 32%, are patients in the VA health care system. Of those, 35.7% are mental health patients, and nearly half of those are PTSD post-traumatic stress disorder) patients.

Is Train Behind War-Provocation Programs for Public TV

"America at a Crossroads," a set of films on the confrontation with the terrorist enemy since the 2001 attacks, will be shown for several consecutive days beginning April 15, 2007 on TV stations throughout the United States. The \$20 million series of purported documentary films is sponsored by the Corporation for Public Broadcasting (CPB) in 2004-2005.

In 2003, President George W. Bush, apparently at the behest of the cultural warfare clique associated with Mrs. Lynne Cheney, had appointed Michael Pack to be CPB senior vice president. Prior to this appointment, Pack's own career as a maker of rightist propaganda films had been substantially sponsored by financier John Train, whose Northcote Parkinson Fund has devoted a large part of its grant money to Pack's projects over the years.

After the appointment of Michael Pack to the (quasi-Federal) Corporation for Public Broadcasting, Pack initiated and oversaw the "Crossroads" enterprise in its entirety. At the outset, John Train was appointed to the advisory board for the development of the "America at a Crossroads" series. From several hundred film proposals, the advisory panel chose a handful of films to get CPB grants for production.

The Crossroads series is being packaged, for local and national showing, through WETA television in Washington, D.C.

Jihad—on the history of Islamic radicalism—is slated to lead off the series on April 15. Other scheduled films include:

* *The Case for War* (Brook Lapping Productions, London), "which follows Richard Perle to various places around the world as he articulates the neoconservative case for an assertive American foreign policy, interventionist when necessary, in the wake of the 9/11 attacks"—made by Perle's long-time friend Brian Lapping.

* *Soldiers of the Future* (Stephen Ives, Insignia Films, New York), "the story of Donald Rumsfeld's recent efforts to transform America's military.... The new military doctrines in the war on terror...."

In 1995, the Public Television Programmers Association—PBS executives who work up most of the public TV programs show—condemned the Crossroads project as a giant waste of public money. At a total of \$20 million in grants, it is the largest single endeavor of the Corporation for Public Broadcasting in recent years, which could have gone for programs of actual public interest.

Michael Pack stepped down as CPB senior vice president in 2006. In June 2006, the National Endowment for the

Humanities—run by the Lynne Cheney apparatus—awarded \$725,000 to John Train's Northcote Parkinson Fund, to supervise a film to be produced by Michael Pack entitled *Rediscovering Alexander Hamilton*.

AEI General Pushes 'Stalingrad on the Tigris'

Gen. Jack Keane (ret.), billed as a coauthor of the neo-con American Enterprise Institute/Fred Kagan counter-report to the Iraq Study Group by the *Weekly Standard*—appeared on ABC television Dec. 17 to promote the AEI proposal to send 30-40,000 more troops into Iraq to "establish security." This is a fundamental change in the mission, Keane said, insisting that security of the people of Baghdad is the key to success. The big difference, from what we've done before, is that under this plan, the people themselves will isolate the insurgents and the militias, Keane argued. This is the proven technique for every successful counterinsurgency, he contended, arguing straight out of his employer AEI's playbook. The problem is, Keane declared, we had a political, but not a military, strategy.

Retired Admiral and Congressman-elect Joe Sestak (D-Pa) called the AEI plan being pushed by Keane, "a road to nowhere," and said that even if we were to double or triple the number of troops in Iraq, it would be "just a band-aid." Sestak said that, "We're imposing what we want to do, upon that country," and the Iraqis don't want that." If it could be done militarily, he added, the Army would have done it by now.

Ibero-American News Digest

Cuba, U.S. Reps Agree: Time for Cuba-U.S. Dialogue

The winds of the change from the Nov. 7 midterm elections are blowing over the Bush-Cheney Administration's insane Cuba policy—and that's to the liking of legislators from both parties in the U.S. Congress. In his address to the giant Dec. 2 ceremonies celebrating the 80th birthday of ailing President Fidel Castro, acting head of state and Commander of Cuba's Armed Forces, Gen. Raul Castro, made explicit the Cuban government's recognition that the elections had produced a dramatic change in the U.S., and that the time had arrived to propose discussions.

"On Nov. 7," Castro said, "the people of [the United States] demonstrated at the ballot box their rejection of the strategic concept of preemptive war, the use of lies to justify military interventions, kidnappings, and secret prisons, and the despicable legalization of torture in the so-called war on terrorism." As for Iraq, "nobody dares to predict anymore when it will end. The U.S. government is at a dead-end...."

Therefore, he announced, "We take this opportunity to once again state that we are willing to resolve at the negotiating table the long-standing dispute between the United States and Cuba, of course, provided they accept ... our condition as a country that will not tolerate any blemishes on its independence, and as long as said resolution is based on the principles of equality, reciprocity, non-interference, and mutual respect."

Two weeks later, a ten-person bipartisan Congressional delegation responded to General Castro's offer in a written statement released at the Dec. 17 press conference concluding its three-day visit to Cuba. "We unanimously believe that the United States should respond positively to the proposal made by Raul Castro in his speech of Dec. 2," the delegation stated. The U.S. should consult with Cuba regularly on immigration issues, to protect national security and to save lives, as well as on how to fight drug trafficking, the statement reportedly asserts.

Including four Republicans and six Democrats from the House Cuba Working Group, the U.S. delegation was the largest to visit Cuba since the 1959 Revolution. The group held "cordial and respectful" discussions with the president of the National Assembly, the Foreign Minister, a member of the Communist Party's Central Committee Secretariat, the president

of the Central Bank, the Minister of Basic Industry and other officials, according to the government daily *Granma*. The delegation also met Cardinal Jaime Ortega.

Given the talk spewing from Washington over the "post-Fidel transition" in Cuba, the head of the delegation Jeff Flake (R-Ariz) told the press conference—not without a certain irony—that everyone will soon witness a "transition" in Washington, adding that there will be hearings on needed policy change. The theme of "transition in the U.S." was echoed by fellow delegation member Jim McGovern (D-Mass), in an interview with NBC. "A majority of people across the United States want a change in our policy. What we're advocating, really, is the mainstream view. The people who are out of the mainstream are in the administration. I mean, they are stuck—married to this Cold War relic, this policy of embargo and belligerence," he said.

LaRouche: 'I Want to Meet with Fidel'

After being briefed on the bipartisan U.S. Congressional delegation's recent visit to Cuba, Lyndon LaRouche indicated Dec. 19 that he'd like to meet with Fidel Castro. It would be very useful for me to be able to talk with him, LaRouche said, and it would be useful for the whole hemisphere. He recalled that years earlier, the former Foreign Minister of Guyana Fred Wills, had recommended that he speak with Fidel. Now, he added, the time has come to do so. "I think he would enjoy it; I would enjoy it—and the American people would enjoy it," LaRouche said. "We'd have some good belly laughs over the whole issue."

LaRouche pointed out that Fidel has a better health-care program in Cuba than the United States does. He said that he might take some friends with him, people who can't get health care in the U.S., because of HMOs and insurance companies. LaRouche said he wanted to talk to Castro because "he's got a good health-care program going down there, and a lot of Americans would like to have access to it. I think we should cooperate with them on this program."

Kirchner to Argentines: Life Much Better After the IMF

Five years after the Dec. 20, 2001 collapse of the Fernando de la Rúa government, and the subsequent declaration of debt moratorium, a happy and feisty President Nestor Kirchner drove home the point in two speeches that Argentina is doing very well *because* it dumped the International Monetary Fund (IMF).

Speaking Dec. 20 to inaugurate a low-income housing project in the province of Buenos Aires, Kirchner recalled that five years ago, "terrible things were happening here. Argentina was exploited by governments that weren't up to history's task. But they also imposed neoliberal programs, and followed the policies of the International Monetary Fund and international lending agencies. For those governments, people were just a number. But for us, each person is a brother, of flesh and blood, whom we love—we love and suffer as they do. We love and feel passion."

The Argentine President also slammed those who argue that investment in infrastructure is unproductive. The people who say that "are the ones who live in comfortable apartments or country homes and the like, and have never lacked for anything. Why don't they come and see now where the money is going that we've protected for Argentines? It goes to the most needy. This is how we are building an Argentina of fairness and justice!"

In this, and in a Dec. 21 speech at the Presidential Palace, Kirchner reviewed Argentina's economic progress: its 9.3% growth rate this year, increased pensions and wages, decrease in unemployment and indigence, and growth of the internal market. Argentina renegotiated the foreign debt, saved the country \$70 billion, "and said '*ciao*' to the Fund," Kirchner said. When the government paid off the \$9 billion it owed the Fund one year ago, "orthodox" economists "told us we were crazy" and that there would be dire consequences. But look what's happened in one year! "We recovered the \$9 billion of our reserves! And they had us on our knees for 40 years!" For decades, Kirchner said, "we tolerated these truly mistaken,

aggravating, unjust policies, and those unending visits from the IMF. And in just one year, we built our reserves back up."

So, Kirchner concluded, "Can we Argentines do it? Yes, of course we can, with great effort. Argentina is back! It has recovered the instruments of its sovereignty" without the IMF! "A great man once said that reality is the only truth, and that is a clear and true stratagem," Kirchner pointed out. "Governments serve the people when they govern as they should, when they do what they have to do, and when they stay close to their people."

Lavrov: Brazil Seeks Russian Aid To Develop Infrastructure

In a Dec. 18 cabinet meeting with Russian President Vladimir Putin, Foreign Minister Sergei Lavrov reported that during his Dec. 14 meeting with Brazilian President Lula da Silva, Lula had asked for Russian assistance to do in Ibero-America "what was done in North America in the 19th Century—unite the continent economically and link its infrastructure." This would appear to be an implicit reference to the extraordinary development of the United States under the supervision of Abraham Lincoln's chief economist, Henry C. Carey.

Brazilian authorities, Lavrov told Putin, "are interested in our joining in major projects of inter-regional importance, including a transcontinental [natural gas] pipeline, and modernization of railroads on the continent." He emphasized that Lula had used the example of the "majestic" infrastructure development that took place in 19th Century United States, to describe what is needed today in Ibero-America.

Lavrov visited South America's Southern Cone from Dec. 13-17, and signed agreements with both Argentina and Brazil that strongly emphasized cooperation in the areas of science and technology, aerospace, and nuclear energy, as well as investment and trade opportunities.

Bolivia Requests Full Membership in Mercosur

Speaking from Brasilia Dec. 18, Foreign Minister David Choquehuanca announced that the Evo Morales government is requesting full membership in the Common Market of the South (Mercosur), accepting the invitation extended to it earlier this year by the Presidents of Argentina and Brazil. The decision will be announced formally at the next meeting of Mercosur Presidents, Jan. 18-19.

Choquehuanca was in Brasilia along with six other cabinet ministers, for discussions with their Brazilian counterparts on several subjects vital to both nations, including the price that Brazil will pay for Bolivian natural gas, expansion of cooperation and investment in energy and trade, and construction of a gas-chemical industry complex on the border.

Bolivia's entry into Mercosur as a full member—currently it is an associate member—is seen as an pivotal step in expanding Mercosur westward toward the Andes as well as strengthening regional integration. Full Mercosur membership is also expected to benefit Bolivia economically, and contribute to its political stability, currently threatened by financier allies of Dick Cheney who are behind a separatist movement in four states of eastern Bolivia.

Western European News Digest

Chatham House Pronounces Sentence on Blair's Iraq 'Debacle'

The Royal Institute of International Affairs ("Chatham House"), has just issued a report, "Blair's Foreign Policy and its Possible Successor(s)," which concludes that British Prime Minister Tony Blair's first term, when Bill Clinton was U.S.

President, was a success, but that "the post-9/11 decision to invade Iraq was a terrible mistake and the current debacle will have policy repercussions for many years to come"—including a sharp decline in Britain's standing in the Middle East.

The report praises the 1999 Kosovo campaign as the most momentous decision of Blair's first term—the bombing campaign (against Serbia) carried out without UN Security Council approval; which was the first offensive action by NATO in its 50-year history. This showed how force could be used against a sovereign nation without the support of the UN. The report praises Blair's April 1999 speech in Chicago (on the eve of the NATO summit), where he said Britain would support intervention against a sovereign power, even without UN support.

But Iraq was a "terrible mistake." Blair's decision to offer unconditional support to Bush for the invasion of Iraq—and providing diplomatic cover for it—was the defining moment of Blair's foreign policy, says RIIA. He should have stuck to "humanitarian intervention," as in the Chicago speech. By emphasizing the WMD, in cooperation with the Bush Administration, Blair blew apart the "doctrine of international community" he established in 1999, and "like Suez 50 years ago, the Iraqi debacle marks a watershed in British foreign policy that will alter the relationship with the US for many years to come."

"Blair's successor(s) will not be able to offer unconditional support for US initiatives ... and a rebalancing of UK's foreign policy between the U.S. and Europe will have to take place." The report warns that a closer relationship with Europe is required, and future U.S. presidents will likely urge it.

Regarding possible successors, Gordon Brown is a strong Atlanticist, while David Cameron prefers to ally the Tories with Euroskeptics in the EP.

Blair's best chance for a positive legacy is to put climate change higher on the international agenda, despite the U.S., advises RIIA.

Additional Documentation Exposes Blair Iraq WMD Lies

Carne Ross, the man who was the British government's chief negotiator at the UN for five years until June 2002, testified to the 2004 Butler Inquiry into whether the British government had "sexed up" Iraq's WMD, that at no time during his posting in New York did the British government "assess that Iraq's WMD (or any other capability) posed a threat to the U.K. or its interests. On the contrary, it was the commonly held view among officials dealing with Iraq that any threat had been effectively contained." He added that the U.K. delegation at the UN "would frequently argue" that regime change in Iraq "was inadvisable, primarily on the grounds that Iraq would collapse into chaos."

Ross's testimony had been suppressed until Dec. 14, when the House of Commons Select Foreign Affairs Committee released it, over the objections of the Foreign Office, as part of the evidence from a hearing the committee held on Nov. 8. Ross, who now runs his own consulting firm, told the *Guardian* Dec. 15, "I'd read the intelligence on WMD for four and a half years, and there's no way that it could sustain the case that the government was presenting. All of my colleagues knew that, too."

Blair Blitz Visit in Iraq

Tony Blair made a surprise visit to Iraq Dec. 17, meeting with Prime Minister Nouri al-Maliki in the Green Zone. Blair rejected any suggestion that the sectarian conflict is the result of the U.S.-U.K. decision to invade the country. Reflecting the same psychosis that afflicts his U.S. partner, President Bush, Blair said that the challenge in Iraq is part of a wide struggle against those opposed to democracy.

Twice Blair refused to answer questions about his Middle East envoy, Lord Levy of Mill Hill, who was Blair's "bagman" in the 2005 elections, and who is also involved in the selling of seats in the House of Lords scandal.

Blair Obstruction 'Cash for Peerage' Investigation

The investigation of the "cash for peerage" scandal rocking Downing Street has been "widened to include a suspected cover-up by those around the Prime Minister, and that a prosecution source said: 'There is more than a suspicion that evidence has not been handed over, people have colluded and the police are not being helped,'" according to the London *Times* Dec. 18,

"'It has been noted,' the prosecution source is quoted as adding with a warning tone, 'that when the Watergate scandal forced President Nixon to resign, it was the cover-up, not the burglary, that brought him down. What these people should remember is that they are not dealing with a parliamentary inquiry; this is a criminal investigation and anyone failing to cooperate is participating in a criminal offense.'"

Britain To Regulate Japanese Banks' Hedge Fund Activities

Britain's Financial Services Agency (FSA) will impose stricter regulation on Japanese banks' investment in hedge funds, as of March, 2007, the *Financial Times* reported Dec. 21. The banks (presumably those operating in Britain) will have to provide the FSA with more information as to which hedge funds they are investing in, or, alternatively, set aside larger reserves. The latter stipulation would make such investments unattractive for many banks. This FSA action is prompted by what the *Financial Times* calls the Japanese banks' "insatiable appetite" for hedge funds, which if not curbed, could provoke a large number of bank failures.

Over the past year, many banks that can't meet the reserve requirement sold or redeemed hedge funds to the tune of \$4.5 billion. The *FT* complains that by making it uneconomical to invest in hedge funds, the FSA is actually "robbing Japanese banks of the opportunity to learn the kind of sophisticated financial techniques they need to improve their performance."

Russia and the CIS News Digest

Lavrov Welcomes Baker-Hamilton Report, Calls for 'Concert of Leading Nations'

At his year-end press conference, Russian Foreign Minister Sergei Lavrov reviewed what Russia had tried to accomplish during 2006 through bilateral contacts and an array of international organizations. He rejected "information wars," "megaphone rhetoric," and other artefacts of the Cold War. A highlight of the Q&A, was that Lavrov said the just-published Baker-Hamilton report is consistent with what Russia has urged, regarding dialogue with Iran and Syria.

The Russian foreign minister placed great emphasis on initiatives for a cooperative foreign policy, such as the "collective leadership" and "concert of leading nations," recommended in the Contemporary Political Atlas project, recently completed by scholars at the Moscow State Institute for International Relations (MGIMO). The MGIMO project was published in *Expert* weekly (with a stress on the potential for a new, positive era in U.S.-Russian relations; see *EIR*, Dec. 8, 2006). The Foreign Ministry's own, first-ever Survey of Russian Foreign Policy drew on the MGIMO study, Lavrov said.

"About 15 years have passed since the end of the Cold War," Lavrov said. "Naturally, one may choose different reference points, but anyway, time has come to decide as to where the international community should move on, while doing away with the legacy of the Cold War. That legacy has not been totally removed from our life, including political and psychological beliefs, prejudice and stereotypes.... We would like our partners to see a strong Russia that has regained

confidence not as a challenge, but as a chance to develop large-scale and mutually beneficial international cooperation....

"We realize that there are those who are surprised, perhaps even unpleasantly surprised, to see this rapid revival of Russia, restoration of its abilities as one of the leading countries." Criticism, if well-founded, will be accepted by Russia, Lavrov added, "but if such criticism, especially if timed to coincide with Russian President Putin's visits, floods newspaper pages, TV screens, that is, when attempts are being made to convey that criticism to us using loudspeakers and microphones, first, anyway, we listen to what is said and we try to understand if there is something concrete in that criticism. But we also get the impression, which it is impossible to avoid, that the main goal is not helping Russia to mend certain things the West is concerned about, but the main goal is swaying the domestic audiences in this or that Western country or trying to drive Russia out of balance."

Concerning the situation in Southwest Asia, Lavrov endorsed direct talks between the leaders of Israel and Palestine, saying that Russia thinks it "very important that such a meeting should take place.... All the nations that have an influence on the current situation one way or another should be involved in this process. It is symptomatic in this context that the report of the Baker-Hamilton commission mentions the need to involve Iran and Syria in dialogue. We have talked about that for a long time. Generally, the problems of the region should be resolved through involving everyone in negotiations rather than through isolation. I think that any attempt to isolate anyone in the region, be it a country or a political force within a country, is one of the main obstacles to the resumption of the peace process."

The latest Russian diplomatic initiatives for Southwest Asia are reported in the Southwest Asia Digest of this issue of *EIR Online*.

Putin Visit to Kiev Marks Rapprochement

Though frictions between Moscow and Kiev have not vanished, and Ukraine, especially, remains in the grips of a power struggle between President Victor Yushchenko and Prime Minister Victor Yanukovich, the Dec. 22 visit of Russian President Vladimir Putin was marked by a visible rapprochement of the two countries. Yushchenko spoke about losing the illusion that the West would treat Ukraine as an equal partner, and affirmed that there was no alternative to Ukrainian-Russian cooperation and strategic relationship.

Yushchenko welcomed Russia's offer to sell more natural gas to Ukraine, for domestic consumption and transshipment to other parts of Europe. Yushchenko also reaffirmed that the existing agreement on Russian use of the naval base at Sevastopol will stay in place until 2017. Putin spoke about resumed industrial cooperation with Ukraine, especially in the engineering, aviation, energy, and transportation sectors, which he called "vital for the people of our two countries." The decision to resume joint production of the Antonov-124 large transport aircraft, after 15 years, is perhaps the most spectacular example of improvement in this area. Putin said he was optimistic that remaining problems can be overcome in a constructive way, calling recent improvements in economic relations "largely the merit of the Ukrainian government," which Yanukovich heads.

Russian Development Bank Takes Shape

The Dec. 14 meeting of the Russian government focussed on the transformation of the state-owned Vneshekonombank and two other state-dominated financial institutions into a single Development Bank, with initial capital of 70 billion rubles (about \$2.69 billion). The project for a Development Bank was put on the agenda by the Yevgeni Primakov government in 1998-99, but it languished after Primakov's ouster (under international crisis conditions around the NATO bombing of Yugoslavia).

On Dec. 14, current Premier Mikhail Fradkov announced his intention to elevate both the financial and political roles of the

new bank, whose supervisory board he will chair. The Ministry of Economic Development and Trade projects a doubling of the capitalization within a year, including by the incorporation of budget funds that had been earmarked for servicing Russia's Paris Club debt, which was paid off last year. The Development Bank will have significant tax exemptions.

Putin: Far East Development Is National Security Priority

Russian President Vladimir Putin has ordered the creation of a commission for a "comprehensive strategy of development of the Far East" of Russia. The region is rapidly becoming depopulated as the disastrous economic conditions—no work, no power, often, even in Vladivostok, no water—get worse. Now, fewer than 6.7 million people live in this vast region, making it one of the least-populated regions of the entire world. Population has fallen 15% over 15 years. Putin told a session of his Security Council, meeting Dec. 20, that the decline in population, failure to integrate the Far East into national economic, information, and transportation networks, and neglect of the region's "natural competitive advantages, such as its transit corridors," all combined to "pose a grave threat to our political and economic positions in Asia and the Pacific, and, without any exaggeration, to the national security of Russia."

Putin said that a "higher coordination of efforts at all levels of authority, local self-rule, federal and regional bodies of authority," would be a decisive factor for the region. Federal and regional authorities have to elaborate "a clear and realistic line of behavior; this is about a comprehensive strategy of development of the Far East." The "ultimate goal of our efforts is not the resolution of specific, even though very important economic tasks, but the creation of decent conditions of the life and work of citizens," Putin said. "All our plans should be oriented towards the Far East becoming a comfortable, attractive place for the life of people, and for this reason everything is important—the resolution of the housing problem and gasification and a developed sphere of medical, cultural and sport services."

"The task of attracting and settling in the Far East of the work age population should be solved first of all on the basis of implementing major economic projects and of creating new jobs in the region," Putin said. The project would require effective "use of appropriated funds and large-scale commitment of extra budgetary sources for development of the Far East."

Turkmenistan's President Dies; Successor Named

The death of President Saparmurat Niyazov, at age 66, was announced Dec. 21 in Turkmenistan. His rule dates back to 1985, when he headed the Central Asian Republic's Communist Party, within the Soviet Union. While coverage will focus on Niyazov's (indeed lavish) personality cult, the future of Turkmenistan and its 5 million people is important for all Eurasia. The country has the world's fifth-largest natural gas reserves, which are transported to foreign customers via Russia; Turkmenistan's natural gas has figured in major deals, like this year's settlement of the Russia-Ukraine gas crisis. While remaining a member of the Commonwealth of Independent States (CIS), Turkmenistan, so far, has not participated in the Collective Security Treaty Organization (CSTO) with other Central Asian countries and Russia, nor in the Shanghai Cooperation Organization (SCO). Turkmenistan has cooperative relations with Iran, including on infrastructure projects like the Eurasian land-bridge rail hook-up a decade ago.

Turkmenistan's Security Council named Deputy Prime Minister Kurbanguli Berdymukhamedov as acting president, raising questions in the Parliament, whose speaker, Overzgeldy Atayev, was slated to become acting head of state under the Constitution.

Russian Foreign Minister Sergei Lavrov voiced hope that the power transfer would take place in a lawful way and that the two nations would maintain their relations. Also speaking out on the change was former Defense Ministry official Gen. Leonid Ivashov, who emphasized the Eurasian orientation as key for Russia. In the absence of any strong successor to Niyazov, Ivashov told Interfax, Turkmenistan will seek alliances with its neighbors; thus Russia has "an opportunity to

become a major strategic partner of Turkmenistan," including through arms sales. "If Russia chooses a passive role," Ivashov warned, "it may further weaken its position.... It is known that Turkey and the United States are making vigorous attempts to pursue their interests in Turkmenistan, primarily its oil and gas sector."

Kyrgyzstan Seeks Review of Relations with USA

The government of Kyrgyzstan, in Central Asia, resigned Dec. 21. President Kurmanbek Bakiyev accepted the resignation of Prime Minister Felix Kulov, but said the present cabinet should govern until a new government is formed. There has been a months-long fight between Bakiyev and members of the opposition, who in November, through street demonstrations resembling a replay of the "Tulip Revolution" through which Bakiyev and Kulov came to power a year and a half ago, forced constitutional changes to reduce the President's powers, in favor of Parliament.

At the same time, both Bakiyev and the Parliament have been pushing for thorough review of relations with the U.S.A., which rents the Manas Air Base in Kyrgyzstan. (Russia leases another base, at Kant.) Anger at the U.S.A. surged in September, after a U.S. fuel transport plane crashed into a civilian airliner at Manas, and again recently, due to the shooting of a Russian-ethnic Kyrgyzstan citizen, a fuel-truck driver who was shot by a U.S. serviceman while detained at the base for security checks. Kyrgyz media accuse the U.S. forces of drug-running, while the Parliament on Dec. 15 adopted a resolution, calling on the government to review the 2001 agreement on the status of U.S. forces in Kyrgyzstan, as well as whether the U.S. should have the Manas Air Base at all. On Dec. 18, Bakiyev said on national TV, that he had instructed the Foreign Ministry to amend the diplomatic immunity, extended to U.S. troops.

Southwest Asia News Digest

Iranian Elections Bring Back Reformers, Moderates

The elections in Iran held Dec. 15, for city councils and for the Assembly of Experts (the body that advises and selects the Supreme Leader), have brought back into political life both reformers and moderate conservatives, who had been largely divested of power during the last elections.

Most significant was the showing of Hashemi Rafsanjani, who was President for two terms after the 1980-88 Iran-Iraq War, but who had been severely defeated in the run-off election against Mahmoud Ahmadinejad 18 months ago. His humiliating defeat then was due to an extraordinarily mobilization of right-wing forces by the Ahmadi sect, as well as widespread opposition to Rafsanjani, who was considered the symbol of corruption.

Rafsanjani won this time around, coming in first place in the list in Tehran for the Assembly of Experts, with over 1 million votes. Ayatollah Mohammad Taqi Mesbah-Yazdi, a supporter of Ahmadinejad, was in sixth place, with about half as many votes. He is expected to keep his seat. Other clerics allied to the President and Mesbah-Yazdi failed to win seats.

Rafsanjani's victory was due in large part to the alliance forged in the campaign between his "pragmatist" group (or "centrists") and the reformists associated with former President Khatami. Khatami campaigned openly for Rafsanjani, and for a high turnout, which could help their effort. The turnout was over 60%. Khatami stressed the importance of unity against the government, which is seen as authoritarian.

In the Tehran city council elections, though vote tallies are not complete, Ahmadinejad's supporters got about four seats (of 15), one of them the President's sister; the rest of the council seats went to moderate conservative backers of Tehran Mayor Mohammad Baqer Qalibaf (who had also run for President) and reformists, including at least three former cabinet ministers. Initial results from around the country show that city councils will have a representation from the conservative,

centrist, and reform fronts.

The reformists are celebrating. "The initial results of elections throughout the country indicate that Mr. Ahmadinejad's list has experienced a decisive defeat nationwide," the biggest reformist party, the Islamic Iran Participation Front, said in a statement. "These results were tantamount to a big 'no' to the government's authoritarian and inefficient methods," it said.

Although some Western press are saying that the vote indicated the people's rejection of Ahmadinejad's staunch nuclear policy, this is wrong. No one opposes the program, or that the government is fighting for it. The real issue is the economy.

A leading reformist intellectual, very close to Khatami, told *EIR* Dec. 18 that he found the vote for Rafsanjani "strange," because it was such a reversal. When asked if the economy were the main issue, he said, "Yes, the economic and social issues. People expected a radical change" with Ahmadinejad, he said, "but they have seen no results."

Is Abbas Out on a Limb?

Palestinian factions in Damascus issued a joint statement Dec. 17, opposing President Mahmoud Abbas's call for early elections. "The factions confirm their opposition to hold early parliamentary elections because there is no justification for it and it is illegal and lacks real Palestinian consensus," said the statement, read by Maher Taher, a leader of the Popular Front for the Liberation of Palestine (PFLP). The statement was issued following a meeting attended by Hamas leader Khaled Mashaal, Islamic Jihad leader Ramadan Shallah, and Farouk Kaddoumi, the head of the PLO's political wing. The three leaders stressed that the statement reflected the position of ten Palestinian factions, not just Hamas. Shallah told al-Jazeera TV that Abbas's call for elections "will regrettably take us into the unknown."

Fatah reacted angrily to Kaddoumi's involvement in the statement. Fatah's central committee issued a statement saying that Kaddoumi's stand doesn't reflect the official position of Fatah, and that such positions only cause more confusion within Fatah. Fatah's military wing is backing Kaddoumi. The higher military council of the military wing declared allegiance to Kaddoumi for his "national and responsible stands and in his capacity as an honest leader that crystallized the unity and cohesion of the Palestinian people."

Putin Calls for Israel-Lebanon-Syria Peace Conference

Following his meeting with Syrian President Bashar al-Assad Dec. 18, Russian President Vladimir Putin expressed his intention and hope that a conference to reach a peace settlement among Israel, Lebanon, and Syria could be held—with Russia's assistance, and possible sponsorship. Putin has met recently with Israeli Prime Minister Ehud Olmert, and with the Lebanese leaders associated with the "Cedar Revolution," e.g., Prime Minister Fouad Siniora, Druze leader Walid Jumblatt, and Said Hariri, the son of the slain former Prime Minister Rafik Hariri. Following their meeting, Assad said that "Russia could become a sponsor of the Middle East settlement," given the central role that Russia has played in the "Quartet" (Russia, U.S., EU, UN) and in having the recent meetings following the July-August Israeli attack on Lebanon.

International wires reported that Putin also referenced the idea that such a conference could be expanded to include other regional countries, including Iran. Asked why he was concentrating so many meetings on the Middle East, Putin said that he is concerned because "we are seeing one conflict in the regional developing after another."

Syrian Foreign Minister Endorses Baker-Hamilton Report

Syria's Foreign Minister Walid Moallem supported all the relevant recommendations of the Baker-Hamilton report, in an interview with David Ignatius of the *Washington Post* dated Dec. 14. Additionally, he showed that Syria was going beyond

Baker-Hamilton in its efforts to stabilize Iraq; on Baker-Hamilton's call for Syria to encourage Hamas to recognize Israel's right to exist, he responded, "I will disclose something to you for the first time. We are exerting efforts with the foreign minister of Qatar and with Hamas and Fatah together. We kept the same distance between them, to reach agreement to compose a national unity government. We convinced Hamas to agree on a ceasefire in Gaza. We hope this will be applicable to the West Bank. We convinced Hamas to agree on a Palestinian state in the 1967 occupied territories [an implicit recognition of Israel—ed.]. What else do you want from us?"

Washington Revs Up Anti-Assad Activists

Political circles in both the U.S. and Israel have begun active efforts to open negotiations with Syria to stabilize the highly volatile region, the Cheney-led neo-cons have started revving up the troublemakers to relaunch the policy of the 1996 neo-con manifesto, "A Clean Break: A New Strategy for Securing the Realm."

Time.com reported Dec. 19 that the Bush Administration has been "quietly nurturing [read: funding—ed.] individuals and parties opposed to the Syrian government in an effort to undermine the regime of President Bashar Assad."

The report points to the role of the "old rogues": former Ba'athist Syrian Vice President Abdul Halim Khaddam, who is based in Paris under control of French intelligence; and the Northern Virginia-based Reform Party of Syria headed by Farid Ghadry (also known as the "Ahmed Chalabi of Syria"); and the "intellectual" Ammar Abdulhamid, connected to the Saban Center of the Brookings Institute. Khaddam had earlier formed the National Salvation Front in Belgium (NATO HQ) which also included the Syrian Muslim Brotherhood leader Ali Sadreddine al-Bayanouni. Al-Bayanouni was accused of recruiting Mohammad Atta, one of the hijackers in the 9/11 attacks.

The U.S. National Security Council staff in August 2006 met twice at the White House with members of the Syrian Muslim Brotherhood and Khaddam, one report says. There are indications that the National Salvation Front will soon open an office in Washington.

What is troubling about all this, is the reactivation of the "dissidents," in the same the way it was done by the neo-cons before launching the invasion of Iraq in 2003.

Time Agrees With EIR on Saudi Royal Family Brawl

Time magazine published an analysis Dec. 15 of the circumstances leading up to Saudi Ambassador Prince Turki al-Faisal's sudden departure from Washington last week, that mirrors *EIR*'s own evaluation from discussions with a wide range of sources. Prince Turki's resignation was reportedly prompted by maneuvers by Saudi National Security Advisor Prince Bandar Bin Sultan, the long-time Saudi Ambassador in Washington and virtual member of the Bush clan, who reportedly arranged Dick Cheney's recent trip to Riyadh behind Prince Turki's back—a breach of protocol and a direct factional move by the pro-neo-con wing of the Saudi royal family.

In a speech in Philadelphia, a week before he quit, *Time* reported, Prince Turki had recognized Iran's threat to regional stability, but stressed that "we speak directly with Iran on all issues. We find that talking with them is better than not talking with them." Bandar and Cheney, on the other hand, are promoting a regional Sunni alliance against Iran (Saudi Arabia is predominantly Sunni).

Time confirmed *EIR*'s warnings about the Sunni versus Shi'ite schemes of Cheney et al., writing: "The internal Saudi turmoil couldn't come at a worse time for the Bush Administration. Vice President Cheney was in Riyadh just last weekend for talks with King Abdullah. Secretary of State Condoleezza Rice wants to use the Saudi-founded Gulf Cooperation

Council (GCC), conceived as an economic body, as a vehicle for marshalling Sunni Arab support on regional security issues, particularly U.S. efforts to blunt Iranian ambitions. Rice has prevailed upon the original GCC members (Saudi Arabia, the United Arab Emirates, Bahrain, Qatar, Kuwait, Oman) to add Jordan and Egypt to their security loop. According to a Rice aide, a working group of diplomats, including a U.S. representative, will be spun off after the new year, to hold frequent meetings and consultations."

Time noted that King Abdullah has not yet taken sides in the Turki versus Bandar feud, and that the kingdom is under pressure from Iraqi Sunni tribal leaders to provide military aid in the event of a U.S. pullout and an all-out civil war between Iraqi Shi'ites and Sunnis.

Iraqi Veep: Bremer Committed 'Biggest Blunder'

Iraqi Vice President Tariq al-Hashemi said Paul Bremer was responsible for the "biggest blunder" committed by the former provisional coalition government in Iraq: disbanding the Iraqi army. Interviewed by CNN's Wolf Blitzer Dec. 17, Hashemi said disbanding the Iraqi army, and "deliberately" allowing militia infiltration into the army, was a "huge mistake." He insisted that current Iraqi military forces are "incompetent" and too small in number to maintain stability, and argued for more U.S. troops, especially in Baghdad. He distinguished between the militias and a "national resistance," which he said must be brought into political dialogue.

ICG Report: 'After Baker-Hamilton' in Iraq

The International Crisis Group (ICG) issued a report Dec. 19, "After Baker-Hamilton: What To Do in Iraq" calling for a number of dramatic changes in U.S. policy toward Iraq, Ynet reported Dec. 18. The ICG is a diverse group of former government officials from around the world, largely funded by George Soros, who sits on its board; the report was apparently written in large part by Robert Malley, an NSC staffer under President Clinton. It calls for going beyond Baker-Hamilton by explicitly dropping "regime change" as U.S. policy, and by including the Iran nuclear issue in talks. Iran would be guaranteed civilian nuclear power under IAEA inspection, so as to preclude nuclear weapons development.

Most striking, the ICG calls for replacement of the present Iraq government, which it portrays as a collection of self-seeking sectarian leaders, with an effective government enjoying broad Iraqi support. The proposed International Iraq Support Group is charged with bringing this about in dialogue with Iraqis, rather than simply supporting the current government.

The ICG derides proposals which would make Iraq a confederation of sectarian statelets. It supports an Iraq of 15 non-sectarian provinces along present boundaries, but with a Kurdish region having special autonomy status. (Lyndon LaRouche has characterized an autonomous Kurdish state as a potential disaster.)

The report is most notable for its in-depth report of Iraq's civil war, based on interviews with numerous Iraqis, including combatants. It argues effectively that the present government and constitution feed sectarian civil war.

Mossad Chief: Diplomacy Can Stop Iran's Nuclear Quest

Meir Dagan, the head of the Israeli Mossad, told the Knesset Committee on Foreign Affairs and Defense that Iran will not obtain a nuclear bomb before 2009, at the earliest, *Ha'aretz* reported Dec. 19. Dagan also flat-out rejected the concept of a "point of no return"—the idea that once Iran has obtained technical and scientific capabilities, a bomb cannot be prevented. Dagan said that "The diplomatic effort to block Iran's nuclear program is far from being over. The threat is close enough to draw attention and yet far enough to allow time for action." In stark contrast to this relatively sane approach to the Iran

nuclear issue, Dagan went on a tear against Syria, charging that Hezbollah's performance in the summer 2006 Lebanon War had emboldened the Assad regime to be less wary of Israel, and more provocative in its support of Hamas and Hezbollah. The remarks were part of the Mossad chief's semi-annual review to the Knesset, or parliament.

Asia News Digest

Iran, Pakistan To Open Trade Routes for Russia, China:

Iran has offered to Pakistan a trade corridor for exports to Russia and Central Asian republics, and has sought a similar facility from Pakistan for its exports to China, *The Dawn* reported from Islamabad Dec. 20. "We are ready to provide transit facilities through a land route to Pakistan," visiting Iranian Deputy Commerce Minister Dr. Sadegh Mofatteh said.

Mofatteh said Iran was keen to make Pakistan its partner in trade and wanted to increase trade volume between the two countries from the current \$650 million to \$1 billion.

Beyond the bilateral trade, what is of great importance to both nations is gaining a land access to trade with the regions beyond. For instance, China-Iran trade takes place via long sea travel. When Pakistani roads become available to the Iranians, the trade can take place through Pakistan by land to the western part of China.

Similarly, Pakistan's trade with Russia and Central Asia takes place by air and sea. Access to Iranian roads will cut down on the cost and time and increase the volume of trade in no time.

This development is of particular importance, since it is taking place at a time when Washington is trying to isolate Tehran in order to scuttle Iran's nuclear energy program.

U.S. Pressures India To Begin Sweeping Economic Reforms

U.S. Undersecretary of Commerce Franklin Lavin has asked the Manmohan Singh government in India to adopt sweeping reforms, including lifting ownership caps and reducing high tariff rates, to draw foreign investments and fuel "rapid growth," according to *Asian Age* Dec. 21.

Interestingly, Lavin's statement was issued a day after U.S. President George W. Bush signed into law a landmark bill for Washington to transfer nuclear fuel and technologies to India.

Lavin called for the opening of India's retail sector to foreign multi-brand retailers, saying it would allow Indian consumers access to "best products at the lowest prices" and improve supply-chain efficiencies in the world's second-most populous nation. At the same time, this month, the Manmohan Singh government allowed the entry of Wal-Mart into India.

"Despite recent news stories about cracks in the dam on retail access, the fact is that barriers [in India] remain," Lavin added. "Right now, investment caps are very low," he said, citing particularly the 26% equity limit in the insurance sector which, he claims, prohibited foreign firms from participating in the "lucrative pensions" sector.

Comparing the huge Asian nation with tiny but business-friendly Singapore, Lavin said India had immense potential to draw investments if it pursued reforms. Overall, Lavin said, that as of 2005, India has received \$45 billion in foreign direct investment compared with Singapore's \$186 billion.

Former NATO Commander: U.S. Reputation Tarnished by Bush

In an interview with Radio Free Europe/Radio Liberty Dec. 22, in answer to a question on the difficult situation in Afghanistan, U.S. Marine Gen. James Jones said: "We as a nation, I think, need to understand that we can't do it alone and that we need our partners and friends...." He also agreed with the interviewer that the United States' reputation has deteriorated sharply in recent years and noted that even Turkey, which has long been a staunch NATO ally, believe the United States is its biggest enemy.

On the Afghan situation, he pointed out that while more NATO troops are required to beat back the insurgents, more is needed to be done to establish the country as a self-sustaining democracy. He said that can be done only by strengthening its civil institutions and eradicating the huge trade in opium.

Without ignoring the realities, Jones said: "I think the Achilles heel of Afghanistan is the narcotics problem. I think the uncontrolled rise of the spread of narcotics, the business that it brings in, the money that it generates is being used to fund the insurgency, the criminal elements—anything to bring chaos and disorder."

He also urged the NATO countries to focus their attention on reconstruction and development in Afghanistan.

Philippines 'Operation Condor' Called For

On Dec. 16, Philippines National Security Advisor Norberto Gonzales urged that left-leaning candidates be labelled as "communists" and "democracy's enemies," openly saying: "It is important to show soldiers and police what groups are being used by the communists to continue their bad intentions on the public." This comes in the midst of a massive government operation to "wipe out" the communists in the Philippines, coupled with death squads killing hundreds of social activists and journalists associated with the left. An international outcry against this Philippine version of "Operation Condor" has not restrained Gonzales and others in the government in their blatant public endorsement of this murder spree.

The *Philippines Inquirer*, the leading establishment paper, wrote on Dec. 19: "We thought the Cold War was over, but here we have the national security advisor smearing leftists as 'communists.' There was a time when labeling someone a 'communist' or 'leftist' practically set him up as a target for assassination by government forces. Now, it seems, the time is coming back, no small thanks to the national security advisor.... Gonzales would set back political progress, shut out leftist groups and individuals from Congress, and worse, set them up as targets for assassination."

U.S.-North Korea Meetings Held During Six-Party Talks

Bilateral meetings were held Dec. 19 between the U.S. and the North Korean delegations, in the context of Six-Party talks. The meeting lasted several hours, with Assistant Secretary of State Christopher Hill and North Korean Vice Foreign Minister Kim Gye-gwan leading their respective delegations. Separate bilateral talks involving the closing of a North Korean bank account at the behest of the U.S. Treasury, were also taking place, involving U.S. Treasury officials and their North Korean counterparts. Little optimism has been expressed by any of the parties, but the talks are just in their initial phases.

Speaking to reporters after the session, Assistant Secretary of State Christopher Hill was asked what he thought the attitude of the North Koreans had been during the session. "I would say, without revealing the elements of their position, there was certainly a willingness to listen and engage on some of our ideas. I think they wanted to reserve their own position as they listened to what we had to say to them." He then reiterated the U.S. position. "I continue to emphasize that the purpose of these Six-Party Talks is to achieve denuclearization. With that, the denuclearization, many things are going to be possible.

Without it, we're going to have pretty tough sledding." Hill did, however, note some progress. "Today, it was a much more substantive discussion, so I think we have a better idea of how they are looking at issues," Hill said. "I must say, in terms of the quality of the discussion that we had, the bilateral discussion, there is a healthy exchange of information that helped us understand things better than before. It was a step."

Mideast Quartet Holds Seminar in Beijing

At the conclusion of a four-day seminar on Middle East Peace, held in Beijing under the auspices of the Chinese Foreign Minister, the Israeli and Palestinian delegations issued a statement expressing the hope that China would soon become a member of the Quartet, *Peoples Daily* reported Dec. 17. The Quartet, the group that is chiefly responsible for coordinating discussions on the Israeli-Palestinian issue, presently consists of the U.S., Russia, the EU, and the UN. China would make it a Quintet. China has been upgrading its diplomacy in the Middle East, with Sun Bigan, China's envoy to the Middle East and a fluent Arab speaker, hosting the discussions in Beijing. Yossi Beilin, a former Israeli Minister of Justice and a participant in the Beijing proceedings, noted that China is a country that no one can ignore. "That is part of the reason we support China to join the Quartet," Beilin said.

China Economic Sectors To Be Held Under State Control

The Chinese government has just released a list of the "strategically important sectors" of the economy in which the state must have "absolute control," *China Daily* reported Dec. 19. These sectors include the armaments, power generation and distribution, oil and petrochemicals, telecommunications, coal, aviation and shipping industries. "State capital must play a leading role in these sectors, which are the vital arteries of the national economy and essential to national security," *China Daily* quoted State Assets Supervision and Administration Commission (SASAC) Chairman Li Rongrong saying yesterday. "The Chinese government will inject more capital into large state-owned companies (SOEs) in these priority sectors, optimize their structure and make them more competitive."

"In these sectors, State-owned assets should expand in volume and optimize in structure, and some key enterprises should grow into leading world businesses."

The SASAC was set up by the government three years ago to maintain the core of state-owned enterprises through the reform of the Chinese economy. The point is to maintain state sole ownership or a majority share in these critical industries, and ensure state capital flows into these industries.

This Week in American History

December 26 — January 1, 1839

Lincoln's Fiery 'Sub-Treasury' Speech Defends the National Bank

During the waning months of his Administration, President Martin Van Buren (1837-41) had sponsored legislation known as the Sub-Treasury Plan, which had so far failed to pass both Houses of Congress. The 1840 Presidential election was fast approaching, and the Whig Party, which supported the American System of economic development, was hopeful that the almost twelve years of disastrous policies sponsored by the previous two administrations could soon be reversed.

President Andrew Jackson had withdrawn the government's deposits from the U.S. National Bank, founded by Alexander Hamilton, and had placed them in "pet banks" owned by his cronies. To make matters worse, he had vetoed the Maysville

Road Bill, which had allocated Federal funds for building a road in Kentucky. These two actions severely limited any Federal support of infrastructure projects, which most of Jackson's cohorts declared to be unconstitutional. This assault on America's productive capacity had been the strategy of the British Empire ever since the first colonists arrived in Massachusetts Bay, and the Whig Party recognized the implications for America's national security.

The State of Illinois, trying to develop its resources on what was then still the frontier, passed infrastructure legislation which included a canal that would link its ports on Lake Michigan to the Mississippi River. Because of the Federal strangulation of credit, Illinois had to issue its own bonds to finance the needed projects. The lack of a National Bank tied America's economy to the ups and downs of the London Markets, so that the Panic of 1837 wreaked havoc on the infrastructure projects of Illinois and many other states.

In that context, the Presidential election of 1840 loomed large. The Whig Party in Illinois decided to prepare for the coming opportunity by holding debates with the Democrats to highlight the differences in policies. Abraham Lincoln was then serving as a State Representative and a statewide Whig Committeeman, and he was chosen as one of the Whig spokesmen in the debates.

The series of debates began in November of 1839, and continued through December, with Whig and Democrat speakers alternating. Lincoln did very well in his first debate, but felt that he had not sufficiently answered Stephen A. Douglas in the second debate. Therefore, he scheduled a third appearance on December 26, and his presentation was a thorough discussion of the difference between placing government money in a National Bank or placing it in the proposed Sub-Treasury locations.

Lincoln's speech that day was highly effective, and it was published as a pamphlet for the Presidential campaign. After a few opening remarks, Lincoln stated that the Sub-Treasury proposal would "injuriously affect the community by its operation on the circulating medium." He also said that it would be a more expensive proposition than a National Bank, and that it would be a far less secure depository of the public money.

Getting into the meat of the matter, Lincoln said: "To show the truth of the first proposition, let us take a short review of our condition under the operation of a National Bank. It was the depository of the public revenues. Between the collection of those revenues and the disbursements of them by the government, the Bank was permitted to, and did actually loan them out to individuals, and hence the large amount of money annually collected for revenue purposes, which by any other plan would have been idle a great portion of time, was kept almost constantly in circulation. Any person who will reflect, that money is only valuable while in circulation, will readily perceive, that any device which will keep the government revenues in constant circulation, instead of being locked up in idleness, is no inconsiderable advantage."

Lincoln continued: "By the Sub-Treasury, the revenue is to be collected, and kept in iron boxes until the government wants it for disbursement; thus robbing the people of the use of it, while the government does not itself need it, and while the money is performing no nobler office than that of rusting in iron boxes, The natural effect of this change of policy, every one will see, is to *reduce* the quantity of money in circulation."

Then, too, President Van Buren had attempted to convince Congress that all revenue had to be collected in specie, telling them that, "It may be safely assumed, that no motive of *convenience* to the *citizen*, requires the reception of Bank paper." Lincoln told his audience they should "mark what the effect of this must be. By all estimates ever made, there are but between 60 and 80 millions of specie in the United States. The expenditures of the Government for the year 1838, the last for which we have had the report, were 40 millions. Thus it is seen, that if the whole revenue be collected in specie, it will take more than half of all the specie in the nation to do it. By this means, more than half of all the specie belonging to the fifteen million of souls, who compose the whole population of the country, is thrown into the hands of the public officeholders, and other public creditors, composing in number, perhaps not more than one quarter of a million; leaving the

other fourteen millions and three quarters to get along as they best can, with less than one-half of the specie of the country, and whatever rags and shin-plasters they may be able to put, and keep, in circulation.

"By this means, every office-holder and public creditor, may, and most likely will, set up shaver; and a most glorious harvest will the specie men have of it; each specie man, upon a fair division, having to his share, the fleecing of about 59 rag men. In all candor, let me ask, was such a system for benefiting the few at the expense of the many, ever before devised? And was the sacred name of Democracy, ever before made to endorse such an enormity against the rights of the people?"

Lincoln then gave an example of what the effect would be: "The man who has purchased any article, say a horse, on credit, at 100 dollars, when there are 200 millions circulating in the country, if the quantity be reduced to 100 millions by the arrival of pay-day, will find the horse but sufficient to pay half the debt; and the other half must either be paid out of his other means, and thereby become a clear loss to him; or go unpaid, and thereby become a clear loss to his creditor."

Lincoln then answered the charge that the National Bank had caused contractions and expansions in the money supply. "Again, as to the contractions and expansions of a National Bank, I need only point to the period intervening between the time that the late Bank got into successful operation and that at which the Government commenced war upon it, to show that during that period, no such contractions or expansions took place. If before, or after that period, derangement occurred in the currency, it proves nothing. The Bank could not be expected to regulate the currency, either *before* it got into successful operation, or *after* it was crippled into death convulsions, by the removal of the deposits from it, and other hostile measures of the Government against it.

"We do not pretend, that a National Bank can establish and maintain a sound and uniform state of currency in the country, in *spite* of the National Government; but we do say, that it has established and maintained such a currency, and can do so again, by the *aid* of that Government; and we further say, that no duty is more imperative on that Government, than the duty it owes the people, of furnishing them a sound and uniform currency."

After demonstrating, through Government documents, that the Sub-Treasury scheme would cost \$405,000 a year more than a National Bank, Lincoln moved on to a hilarious account of the corruption and outright thievery that had occurred in the government under Van Buren, whose Administration had rivaled that of Robert Walpole, the British Prime Minister who had proved the truth of his motto that "Every man has his price."

"I repeat then," said Lincoln, "that we know nothing of what will happen in future, but by the analogy of experience, and that the fair analogy of past experience fully proves that the Sub-Treasury would be a less safe depository of the public money than a National Bank. Examine it. By the Sub-Treasury scheme, the public money is to be kept, between the times of its collection and disbursement, by Treasurers of the Mint, Custom-house officers, Land officers, and some new officers to be appointed in the same way that those first enumerated are.

"Has a year passed since the organization of the Government, that numerous defalcations have not occurred among this class of officers? Look at Swartwout with his \$1,200,000, Price with his \$75,000, Harris with his \$109,000, Hawkins with his \$100,000, Linn with his \$55,000, together with some twenty-five hundred lesser lights. Place the public money again in these same hands, and will it not again go the same way? Most assuredly it will.

"But turn to the history of the National Bank in this country, and we shall there see, that those Banks performed the fiscal operations of the Government thro' a period of 40 years, received, safely kept, transferred, disbursed, an aggregate of nearly five hundred millions of dollars; and that, in all that time, and with all that money, not one dollar, nor one cent, did the Government lose by them. Place the public money again in a similar depository, and will it not again be safe?"

Lincoln closed by citing the clamor going up from the Democrats that "every State in the Union will vote for Mr. Van Buren at the next Presidential election. Address *that* argument to *cowards* and to *knaves*; with the *free* and the *brave* it will effect nothing. It *may* be true, if it *must*, let it. Many free countries have lost their liberty; and *ours may* lose hers; but if she shall, be it my proudest plume, not that I was the *last* to desert, but that I *never* deserted her.

"I know that the great volcano at Washington, aroused and directed by the evil spirit that reigns there, is belching forth the lava of political corruption, in a current broad and deep, which is sweeping with frightful velocity over the whole length and breadth of the land, bidding fair to leave unscathed no green spot or living thing, while on its bosom are riding like demons on the waves of Hell, the imps of that evil spirit, and fiendishly taunting all those who dare resist its destroying course, with the hopelessness of their effort; and knowing this, I cannot deny that all may be swept away. Broken by it, I, too, may be; bow to it I never will. The *probability* that we may fall in the struggle *ought not* to deter us from the support of a cause we believe to be just; it *shall not* deter me."

All rights reserved © 2006 EIRNS

[top of page](#)

[home page](#)