

Electronic Intelligence Weekly

Online Almanac

Volume 1, number 35

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November 4, 2002

THIS WEEK YOU NEED TO KNOW

Moongate: Bigger Than Chinagate, Koreagate

Following the 1996 Presidential elections, the Radical Right in America launched a wild campaign against President Bill Clinton, charging him with having been "bought off" by Beijing, via clandestine campaign contributions from corporate fronts for the People's Liberation Army (PLA). Nothing much came of the wildly exaggerated "Chinagate" allegations, save a handful of Federal prosecutions of foreign influence peddlers, trying to buy a night at the Lincoln Bedroom at the White House.

However, some of the very Radical Rightists who led the charge against President Clinton and promoted the "Chinagate" scandal, including the not-so-reverend Jerry Falwell, are emerging as the biggest recipients of illegal money from the Rev. Sun Myung Moon and his offshore dirty-money empire. "Moongate" is a scandal that dwarfs all previous foreign campaign and foreign payola scandals combined. By *EIR's* best estimates, the Moonies pass billions of dollars a year into a far-flung apparatus of right-wing organizations, churches, political action committees, and Republican politicians, including former President George Bush.

Just how significant a contaminant this Moon money represents for the American political process is a matter that warrants the immediate attention of Congress and the Executive branch, particularly Federal law enforcement. In the late 1970s, to its credit, the House of Representatives conducted a massive probe of South Korean influence-peddling, known as "Koreagate." The Moonies were at the very center of that operation, providing a veritable harem of some 300 prostitutes, who swarmed over Capitol Hill. A KCIA (Korean CIA) and Moonie bank, Diplomat National Bank of Washington, was a small-scale conduit of Moonie offshore cash into the "Koreagate" operation.

Today, the Moonies operate on a vastly larger scale. By some published accounts, offshore Moonie enterprises, including a growing operation in some of Ibero-America's biggest drug-money-laundering centers, subsidize the Washington Times Corp. to the tune of \$30-100 million a year. Defense Intelligence Agency documents, recently declassified, show that Moon and his controller, Col. Bo Hi Pak, funnelled \$3.5 billion into North Korea during 1991-94.

In May 2002, law enforcement authorities in Brazil raided the Moonies' headquarters in São Paulo, and other offices across Brazil, charging the group with money-laundering and tax evasion. Other officials, citing the Moonies' recent purchase of vast tracts of land on all sides of the Brazil/Paraguay/Bolivia borders, charged that the group posed a threat to Brazilian national security.

What are the Moonies up to, creating a cross-border territory in one of the most narcotics-infested regions of the globe? A team of American law-enforcement officials would do well to visit their Brazilian counterparts, and determine the implications for the United States of the tax evasion and money-laundering allegations in South America.

One of the most visible of the recent Moonie operations was the buy-off of the Rev. Jerry Falwell, whose \$73 million in

debt to his supporters was "disappeared," through what one retired Federal law-enforcement official considered a criminal transaction.

In recent years, unsuspecting U.S.-based Muslim clerics have been targetted by the Moonies for cooptation, through lavish gifts and the promise of "ecumenical" support against the would-be promoters of a new Crusade. Nowhere in these discussions with leading Muslim- and Arab-Americans do the Moonies acknowledge that they are also the main financiers and controllers of the entire so-called "Christian Zionist Right" in America— typified by Falwell, Gary Bauer, Tim and Beverley LaHaye, and "Diamond Pat" Robertson.

The flood of Moonie money, from very dubious, predominantly offshore sources, into the right wing, and, now, into the Islamic and African-American political leadership institutions in America, is a matter too big to ignore. It is time for the Congress and the Justice Department to take a long-overdue look into the multibillion-dollar Moon pipeline of cash.

U.S. ECONOMIC/FINANCIAL NEWS

GPD Growth Is Faked, Using 'Hedonic Index' and Zero-Interest Financing

The Commerce Department reported Oct. 31 that inflation-adjusted, real U.S. Gross Domestic Product grew from \$9,392.4 billion in the second quarter, to \$9,465.2 billion in the third quarter, a supposed increase of \$72.8 billion, or 3.1%. But preliminary examination by *EIR* shows two developments: First, 85% of the alleged GDP growth came from the sales of two items— motor vehicles and computers— and each of those grew by faked or unsound means; second, there was a sharp cutback in business structures.

First, with respect to GDP:

Motor Vehicles: Motor vehicle sales and production grew as a result of a massive campaign of incentives offered by the major automakers, which included 0% financing, and in some cases, 0% down. For the incentives, the auto companies must pay \$1,800 to \$2,300 per vehicle, which often causes them to lose money on each vehicle sold on that basis. Further, there is the application of the fraudulent Quality Adjustment Method (QAM), by which, when an environmental feature is added (which is frequently a detraction), it is counted as improved quality. In inflation-adjusted dollars, motor vehicle sales/production increased from \$369.1 billion in the second quarter, to \$407.1 billion in the third quarter, an increase of \$38 billion. That represented 52.2% of the alleged \$72.8 billion increase in third quarter GDP for the entire economy.

Computers: In current (non-inflation-adjusted) dollars, computer (and perhipheral) sales rose from \$72.8 billion in the second quarter, to \$77.4 billion in the third quarter, an increase of \$4.8 billion. But when the Commerce Department supposedly corrects the sales figures for inflation, it simultaneously applies the fraudulent hedonic index, which is a variant of the QAM. This artificially swells production. According to the Commerce Department, in "inflation-adjusted" dollars (which incorporates the hedonic index), computer sales rose from \$271.6 billion in the second quarter, to \$299.9 billion in the third quarter, a supposed increase of \$28.3 billion. Thus, by applying the hedonic index (in the process of allegedly correcting for inflation), the Commerce Department took a \$4.8-billion increase in computer sales in current (non-inflation-adjusted) dollars, and presto!, turned it into a \$28.3-billion increase in inflation-adjusted dollars. By use of the hedonic index, the Commerce Department added a fake \$23.5 billion to computer sales. This fake \$23.5 billion represented 32.2% of the alleged \$72.8-billion third-quarter increase in GDP for the entire economy.

Thus, using 0% financing, and the fraudulent Quality Adjustment Method (inclusive of the hedonic index), combined motor vehicle and computer sales accounted for 84.4% of the American economy's supposed increase in GDP during the third quarter.

At the same time, the construction of non-residential structures (that is, buildings for businesses, factories, etc.), fell on a real, inflation-adjusted basis from \$231.7 billion in the second quarter, to \$221.8 billion in the third quarter, a fall of \$9.9 billion, which on an annualized basis is a fall of more than 16%.

The shape of the real U.S. physical economy is shown by the massive unemployment and the report that new orders for manufactured durable goods fell by 5.9% during September. Announced Oct. 31, the National Association of Purchasing Management's index for Chicago area manufacturing fell to 45.9 in October, the second-lowest level of this year.

The U.S. economic depression is accelerating; trumpeting non-existent growth based on GDP fakery cannot hide that.

Auto Sales Are Harbinger of Tough Times Ahead; Ford Leads the Way; GM Close Behind

Despite the make-believe boost that motor-vehicle sales provided to GDP for the third quarter, October auto sales could fall by as much as 23% over October 2001 when, in the wake of the Sept. 11 attacks, dealers began the 0% financing offers. The 18.4-point dive since January in the consumer confidence perception index, announced Oct. 29 by the Conference Board, is reflected in the slowing car sales. An Economy.com consultant worried that since housing and car sales "have been the only pillars of the economic recovery [sic]," declining sales may be an omen for the whole U.S. economy. A Bridgewater Associates report put it this way: The auto industry "is a ticking time bomb," which is "not just an auto industry problem." Indeed, *USA Today* reports that car sales are one-quarter of all retail sales. More than 2 million people are employed making and selling cars and trucks in the U.S.A., and that doesn't count the feeder industry employment, so the ripple effect of the downturn will be big. - Ford's Debt Near Junk-Bond Status -

Ford's problems are emblematic of the industry's troubles: On Oct. 25, Standard & Poor's cut its rating on Ford Motor Company's long-term debt to BBB—just two levels above junk-bond status. Ford is America's fourth-largest company, with \$162.4 billion in revenues in 2001; and is the second-largest auto company in the world, owning Ford, Lincoln, Mercury, Aston Martin, Jaguar, and Volvo, and having a 33% stake in Mazda.

Ford has \$162 billion of debt outstanding, of which a staggering \$22-32 billion must be rolled over in 2003. Ford's debt is already being treated as effectively "junk status." Ford Credit, which is the financing arm of Ford Motor, has issued 10-year bonds which, because Ford's debt has been devalued, now yield 9.55%. Ten-year U.S. Treasury bonds have a yield of 4.10%; thus, Ford's bonds sell at a "premium" of 5.45 percentage points (545 basis points) above Treasuries of a comparable maturity. The "premium" of Ford bonds is above those of several Third World countries.

Based on its earnings alone, Ford may not be able to pay the interest on its debt. According to Egan-Jones Ratings, a Pennsylvania-based independent credit-analysis firm, in December 2000, Ford's operating earnings were just about double its interest expense. Recently, the credit-analysis firm reported, *Ford's earnings are less than half its interest expense.*

Ford's approach to this is fierce budget-cutting. Ford's chairman, William Ford, Jr., announced last year that the company would cut \$6 billion from expenses, including laying off 30,000 workers. This past week, Ford announced \$1 billion more in cuts.

Naturally, this made things worse: In 2001, Ford lost \$5.1 billion. For the year-to-date through September, Ford Motor had sold 2.6 million cars and trucks, down 6.8% from the same period last year, despite the incentives and 0% financing offered. Ford has now discontinued many of its incentives, because are losing money for the company. - At GM, Temporary Closings, Zero-Financing -

The slump in market demand has caused General Motors to close an assembly plant for one month, and extend 0%

financing in a desperate effort to spur sales, the *Wall Street Journal* said Oct. 31. All GM factory assembly plants close for two weeks over the Christmas holiday period, but this year GM's Broening Highway plant in Baltimore has been ordered closed for a full month, from Dec. 16 to Jan. 13. The shutdown will affect 1,000 workers of the 1,600 employed at the plant. One GM spokesman attributed the production cut to the sharp decline in sales of its Chevrolet Astro and GMC Safari over the last month, down 32% and 28%, respectively, compared to summer sales. All U.S. automakers will be releasing October sales and earnings figures, which are expected to be down.

Hoping to rev up sales in this climate, GM will offer bigger bonuses to salesmen and dealers and extend the 0% financing offers to Jan. 2, 2003, even though these discounts are cutting deeply into profits already.

Airlines Disaster Spreads to Other Sectors

*Bankrupt U.S. Airways plans to lay off 471 more pilots by May, with 326 of those layoffs coming by Jan. 7, blaming rising fuel costs and continued low number of passengers. The airline, with the new cuts, will have eliminated about 1,800 of the 6,000 pilots it had before Sept. 11, 2001. U.S. Airways also plans to furlough 915 more flight attendants by December, for a total of 3,675 jobs cut since Sept. 11, when it had 10,000 flight attendants. The airline sector, over the past several weeks, "has just completely fallen off a cliff," said CEO David Siegel.

*Goodrich, the biggest U.S. maker of aircraft-landing gear, is slashing 3,200 jobs (up from a previously announced 2,700), in response to having posted a 48% plunge in third-quarter profit, as sales fell 27% in its commercial aircraft business. The aerospace parts maker warned it would look for more ways to cut costs.

*Boeing will cut 1,200 more jobs, on top of the 30,000 jobs that the company had announced it would eliminate by the end of 2002; the cuts are in Boeing's Shared Services Division in Bellevue, Wash., which handles computing, telecommunications, building maintenance and other in-house services.

Workers Pay Cost of 'Shareholder Values'

In their attempt to boost corporate earnings reports, American firms laid off 1.6 million people in the first nine months of this year, the *Wall Street Journal* reported Nov. 1. This counts only layoffs in companies that laid off more than 50 workers.

"Corporate America has checked itself into the Betty Ford Center for balance-sheet repair and cost reductions," an economic analyst told the *Journal*. "The only hope they have for restoration of profit margins is to slash costs, and the biggest cost is labor," said this victim of accountant's mentality.

Overall, U.S. unemployment claims rose the last week in October from 394,000 to 410,000.

Increase in Homelessness Shows Depth of Economic Crisis

"Homelessness is on the rise because of the faltering national economy, and some shelter systems and municipal budgets can no longer cope with the demand," the *Washington Post* reported Oct. 30. Over the last year, the U.S. Conference of Mayors declared that requests for emergency shelter have increased 13% in 27 cities of 100,000 population or more. At the same time, the U.S. Census Bureau reported last month that nation's rate of poverty increased for the first time in a decade.

The article notes that the "compassionate conservative" approach to this growing problem has been to "criminalize homelessness" in a brutal manner. Some cities have removed park benches where the homeless often sleep, others have

begun arresting people found lying or sitting on downtown sidewalks. Philadelphia launched an ad campaign urging downtown workers and tourists not to give spare change to panhandlers. And, in San Francisco, where the city has had a liberal policy toward the homeless, and where the homeless rate is estimated at 10,000, a voter initiative, Proposition N (Care no Cash), on the Nov. 5 ballot, calls for cutting monthly cash grants to homeless people from \$400 to \$59. The savings are supposed to be used for housing and other services for those with no place to live.

City Councilman Tom Ammiano, sponsor of an alternative initiative, Proposition O (Exits from Homelessness), which would protect the cash grants and require the city to create affordable housing and slots in treatment programs for these people, argues, "The homeless should not be scapegoated or dehumanized just because the economy has gone bad."

WALL STREET POLICE BLOTTER

The unravelling of shareholder-value-dominated corporate America continued this past week with announcements of indictments, raids, and broadened investigations into financial malfeasance in U.S. corporate boardrooms.

In a Byzantine sequence of events, the SEC, which is supposed to be cleaning out America's corporate rot, became the focal point for charges of corrupt conflict-of-interest dealings. **SEC chairman Harvey Pitt**, the highly controversial Bush appointee, in the course of vetting candidates to head the newly Congressionally created Public Company Accounting Oversight Board failed to disclose that former FBI and CIA Director **William Webster**, who was recently approved by SEC to head the board, had served as chair of the audit committee of **U.S. Technologies**, an investment firm which is facing shareholder lawsuits alleging fraud. Once Pitt's withholding of this information surfaced, a torrent of conflict-of-interest charges began to fly, leading Pitt to ask the SEC's inspector general to investigate the matter. Democrats, who have been demanding Pitt's resignation, used the revelation to redouble their efforts to have him removed, and, in the meantime, formally asked the General Accounting Office to investigate the events.

Furthermore, Webster himself is now the subject of an SEC probe, according to the *Washington Post* Nov. 2.

In the ongoing meltdown of the one-time energy giant **Enron**, former chief financial officer **Andrew S. Fastow** was indicted in Houston, on 78 Federal counts of fraud, conspiracy, money-laundering, and obstruction of justice. In an early-October indictment brought against Fastow, the obstruction charge was not included. It alleges he "corruptly persuaded" his underling **Michael Kopper** "to destroy, mutilate and conceal" documents. (Kopper pleaded guilty to fraud and money-laundering charges in August, and is believed to be cooperating with the Justice Department's investigation into Enron.) The indictment also suggests that Enron used a major financial institution to "assist in its financial statement manipulation," which an unidentified *Wall Street Journal* source speculated is **Merrill Lynch & Co.**

At the financially troubled telecom giant **Lucent Technologies**, new speculation was fuelled by a *Wall Street Journal* muckraking piece that the SEC had expanded its investigation of the company. The allegations, based on unidentified sources, deal with possible earnings manipulations as far back as 1996 and involvement of current or former Lucent board members. If true, such a broadened probe could include **U.S. Treasury Secretary Paul O'Neill** who was on Lucent's board and audit committee in 1996. He resigned from the board in December 2000 to take his new position in the Bush Administration. Lucent denies it manipulated earnings, and has no knowledge of an expanded SEC investigation.

In California, 40 FBI agents raided and searched offices in a Federal Medicare fraud investigation of two physicians employed by **Tenet Healthcare**. The FBI search warrant affidavit sought evidence pertaining to a suspected "scheme to cause patients to undergo unnecessary invasive coronary procedures" involving fraudulent Medicare billings. At this time Tenet, one of the largest for-profit hospital chains, is not confirmed to be a target of the investigation, nor is the Redding Hospital, where the physicians had offices. Tenet's share price fell by 26% when news of the raid hit the media.

WORLD ECONOMIC NEWS

City of London Hit With Big Job Losses

By the end of this year, the City of London will have lost about 30,000 banking jobs since the start of 2000, according to the Centre of Economics and Business Research. Credit Suisse First Boston was to cut up to 80 staff at its London headquarters the last week in October, as part of its plan to eliminate an additional 1,750 jobs in order to save \$500 million. The Swiss-owned investment bank over the past year has slashed 6,500 jobs, including cutting nearly 20% of its equities research staff in the United States the previous week.

UK Consumer Borrowing Rises to All-Time High

New figures put out by the Bank of England on Oct. 29 again underline the incredible dynamic of the British consumer debt bubble, which could easily implode in the coming weeks. In September, British consumers went on another record-breaking borrowing binge, putting total consumer debt above the level of 800 billion pounds (\$1.2 trillion) for the first time. Both the volume of total new loans (20.7 billion pounds) and of net lending (8.9 billion pounds) reached new historic highs. The growth rate of new consumer lending (13.1% on an annual basis) is at a record high as well. In an article headlined "Record borrowing triggers debt alarm," the Oct. 30 *Daily Telegraph* noted that the new figures have "alarmed consumer groups as they are already dealing with record numbers of individuals seriously in debt, even though interest rates are at their lowest level for nearly 40 years." The proportion of consumer spending financed through borrowing has doubled from 5% to 10% within the last two years.

Harvard's Man Takenaka Backs Down on Austerity Plan, But Crisis Unabated

Japan's Harvard-trained Financial Services Minister Heizo Takenaka was forced to back down Oct. 30, and issue a greatly watered-down version of his "emergency" bank-policy package, having been threatened with a personal lawsuit by the chairmen of Japan's top four multitrillion-dollar megabanks, for his threats to throw 4 million people out of work by foreclosing on over \$400 billion in bank loans, in a "hard landing." Some LDP leaders even compared him to Robespierre, the Jacobin Terrorist who wielded the guillotine in the French Revolution.

While Takenaka's capitulation ensured that half of Japan's industrial companies will not be shut down immediately by government fiat, the compromise solves nothing. It does not address the real cause of Japan's banking crisis, which is the bankruptcy of the dollar-based, global financial system; it does not address the need for a New Bretton Woods system; it does not even do anything about bad loans at Japanese banks.

Highlights of the measures adopted by Japan's Koizumi government Oct. 30 "to accelerate the cleanup of bad loans in the banking sector and contain deflation," include:

*"The government and the Bank of Japan will work together to put an end to the bad loans problem during fiscal 2004" (i.e., by March 2005!);

*"Public funds will be injected into banks under the existing law if their capital is depleted. A new system will be studied for prompt infusion of public funds" (translation: no "crisis" has been declared, and since under the "existing law" there can be no public funds used without a declaration of crisis, therefore, precisely nothing is being done on this count);

*"Responsibility of top management of undercapitalized banks will be clarified. Assets at such banks will be divided into a 'new' account holding healthy assets and an 'old' account serving as a bucket for bad assets" (this is the beginning of a

toothless attempt to separate good and bad debt);

*"The government will promptly consider adopting the 'discounted cash flow' method that will require banks to set aside more loan-loss reserves for claims on loans to heavily indebted companies" (meaning: the government will "think about" forcing the banks to take big write-offs, i.e., the guillotine has been mothballed for the moment);

*"A new organ will be created to help viable companies" (the new fund proposed by the Bank of Japan to take up the "good" debt and keep those companies in business will go ahead);

*"The government will push ahead with measures to enhance job security and support for small and mid-size companies" (translation— we decided not to throw everyone out of work deliberately, but we also have no particular policy to stop that from happening).

Singapore Sees Sharp Rise in Joblessness

Singapore's Senior Minister of State Tharman Shanmugaratnam has reported that 84,300 people could not find jobs in October, and the economy overall is slowing down. This comes on top of a sharp rise in unemployment over the previous three months, up to 4.8%, from 4.1% in June. This is even higher than the 4.3% experienced in the last Asian crisis, in 1997.

More jobs were lost than created in the months from July to the end of September. Employment contracted by 15,000, hitting first-time job seekers, including this year's crop of school graduates.

The words "weak," "uncertain," and "slow growth" peppered Shanmugaratnam's speech: "The outlook for next year is uncertain. But there is more downside than upside on the horizon in the world economy— at least for the first half of 2003. We therefore do not expect robust growth in the Singapore economy."

Gold Demand Soaring in Saudi Arabia and Gulf

"The demand for gold in the [Saudi] Kingdom is expected to increase by more than 20% during the last quarter of this year," market analysts told the Nov. 1 *Arab News*. "They attributed the increase to a growing trend to invest in gold amid fears of an imminent U.S. attack on Iraq," the Jeddah daily said.

Arab News cited Osama Al-Wazir, director of World Gold Council (WGC) for the Gulf countries, as saying that he expected an increase in gold sales over the coming months as a result of new developments in the region. Muhammad ibn Saeed of Al-Amoudi Currency Exchange Center said there was big demand for gold coins and biscuits in recent months as many people, especially expatriates, wanted to preserve their money in the form of gold as a safe investment. The WGC reported recently that there was a 16% increase in gold sales in the Kingdom and other Gulf states during the first half of this year.

S&P Cuts Israel's Currency Ratings

The international rating agency Standard and Poor's cut Israel's long-term local currency rating from AA- to A+, the Israeli daily *Ha'aretz* said Oct. 31. The move reflects doubts that Israel can implement necessary economic policies, especially now that the Sharon unity government has collapsed. The agency also cut its short-term local currency rating from A+ to A-

"The local currency downgrade and negative outlook reflect growing concerns over Israel's ability to implement and sustain much-needed tightening of fiscal policies and structural reforms, following the collapse," said S&P.

UNITED STATES NEWS DIGEST

White House Prepares for Changes in Economic Policy Team After Nov. 5

According to *Reuters* Nov. 1, the White House is preparing to make big changes in President Bush's economic policy team after the Nov. 5 elections. Top White House economics adviser Lawrence Lindsey is said to be on the way out, and so, perhaps, are SEC Chairman Harvey Pitt and Treasury Secretary Paul O'Neill; Bush has been under pressure to dump both of them. One Republican aide is quoted as saying that "The Administration's economic operation obviously has problems and they're looking for changes." The White House won't comment on possible changes. Spokeswoman Claire Buchan only said, "The President has a high degree of confidence in his economic team." A former aide to Senate Minority Leader Trent Lott (R-Miss), Keith Hennessey, has already been brought into the White House to be deputy assistant to the President for economic policy, and other, lower-tier changes have fuelled speculation of a bigger shake-up on the way.

At the same time, White House economics team, Health and Human Services Secretary Tommy Thompson and Environmental Protection Agency head Christine Todd Whitman are said to be considering leaving.

Justice Department Puts ILWU on Notice

The Department of Justice has put the ILWU longshoremen's union on notice that it is taking seriously management charges of union violations of the Taft-Hartley injunction whereby California dockers were ordered back to work, and the ports reopened.

In a letter released after the management group Pacific Maritime Association filed formal charges that the International Longshore and Warehouse Union was engaging in a slow-down, DOJ prosecutors stated that while a certain amount of inefficiency for a few days following the end of the lockout could be tolerated, the situation should be sorted out by now.

The statement of the DOJ is in direct contrast to the estimate of almost all experts that it would take weeks to sort out the situation at the logjammed ports. Spokesmen for the ILWU have repeatedly referenced the underlying infrastructure problems they face, including the shortage of truck chassis, and availability of rail transit to move unloaded containers from the ports. They have also repeatedly referenced their belief that it is the intention of the PMA to break the union, using punitive fines and even imprisonment of union leaders, if they are held to be in contempt of the court ruling.

Employed in U.S. Work Longer Hours Than in Other Countries

Employed Americans are working more hours than workers in any other industrialized nation. The *Buffalo (New York) News* reported some surprising figures in its Oct. 14 item on the Economic Policy Institute's biennial *State of Working America*. Sharon Lindstedt of the *Buffalo News* wrote, "The average [employed] U.S. worker spends 1,900 hours a year on the job. That's the equivalent of 20 more days each year than in 1979, and more work hours than in any [other] industrialized nation in the world. The hour count is also up for dual-income families. A middle-income couple with children, in the 25 to 54 age range, works a combined average of 3,932 hours, annually, up 20% in the past quarter-century. That adds up to a whopping 16 additional *weeks* of work compared to hours logged in 1979" (emphasis added).

These changes seem to be partly a reflection of workers' needs to make ends meet, but also partly of employers' demands: "44% of full-time employees [indicated] they'd prefer to work fewer hours. Only 26% said they would like to put in more

time on the job," Linstedt reported.

Warmongers John McCain, Joe Lieberman, Go on the Air To Promote Their War Agenda

Senators John McCain (R-Ariz) and Joe Lieberman (D-Conn) appeared on *Fox News Sunday* Oct. 27.

McCain, interviewed first, was asked about an op-ed he put out this last week, saying "the situation in North Korea illustrates what happens if we don't act in Iraq," and about his response to a Jimmy Carter op-ed in the Oct. 27 *New York Times*, in which Carter argued that the diplomatic road is the one that should be taken.

McCain responded by saying that the U.S. approach to North Korea under President Clinton in 1994 was bribery—and that it was wrong, and unsuccessful. He endorsed President Bush's call for economic sanctions, saying that might be enough to topple the North Korean government of Kim Jong-il.

Host Tony Snow then brought on Lieberman, who began by saying that the Democrats would love to bring John McCain "into our inner councils. We'd love him to become a Democrat, incidentally."

Lieberman was asked primarily about Iraq policy and the fight at the UN, during which he argued that the U.S. ought to get a resolution, as tough as possible, passed immediately, to get the inspection process going, and then come back again to the UN for enforcement. He said, "I'd say, focus on the inspections. If you have to make a bargain, yield on what will happen for now if the Iraqis violate or frustrate the inspections." If the UN refuses to act at a later stage, then build an international coalition—and act.

At the conclusion, the host asked Lieberman about the Saudi role in terror, giving him an opportunity to show he's part of the chickenhawk/Richard Perle "permanent war" crew. Lieberman said: "There's increasing not just subjective frustration, but objective evidence that people within Saudi Arabia have been the major financial supporters of certainly al-Qaeda and other terrorist groups—but certainly al-Qaeda. Now, the Saudis have been good allies to us, but you come to a point where you've got to tell even your friends, this is unacceptable—not only is it unacceptable, it's outrageous. And you, leadership of Saudi Arabia, have to take action within the Kingdom to stop this support of people who have killed Americans and want to kill more of us. And if it doesn't change—I'll tell you this, I, in my 14 years in the Senate, I have never seen as much bipartisan anger toward the Saudis and willingness to really alter this relationship, as I see today."

***New York Times*: Bush Preeminence Doctrine Not New**

The *New York Times* carried an analysis piece Oct. 26 by reporter Judith Miller, focussing on the last chapter of the so-called National Security Strategy of the United States released last month by the White House. The last chapter is the one that declares that the United States will not allow any other nation to rival it in power. Miller notes that while it was the preemption doctrine that initially caught the most attention, it's the last chapter that is causing the most debate in academic and policy circles.

On the one side, are people like former Clinton-era Pentagon official Ashton B. Carter, now resident at the John F. Kennedy School of Government at Harvard, who says, "It makes a doctrine out of a physical fact and puts it in everyone's face." Another voice of caution is Philip Zelikow, a former National Security Council staffer from the Bush I Administration, who called the doctrine "aggressively opaque." "The policy implications of the idea are very unclear."

On the other side is Richard Pipes, a Harvard history professor, who opines that other nations must realize "that we will not be intimidated or dissuaded from exercising power when our national security interest depends on it." From there, Miller

takes the reader through a discussion of why the Bush preeminence doctrine is nothing new, nor unique to the Bush Republicans, quoting other academics who argue that the United States has always acted, de facto, on the basis of establishing hegemony, first over the Western Hemisphere, and now, since the end of the Cold War, over the entire world. What makes the Bush doctrine unique, these folks argue, is that it is stated so openly.

William Safire Blasts 'Axis of Greed' for Opposing Iraq War

William Safire's Oct. 28 *New York Times* op ed declares that Russia, China, France, and Mexico form an "axis of greed," and that is why, he says, they are trying to block an Iraq war. Safire details how a successful U.S. war on Iraq will make the winners rich, and severely harm those, like Russia and France, who resisted—and then concludes that those who oppose war are the greedy ones! He writes that "should the UN deny the fact of Saddam's repeated and sustained defiance of its irresolute resolutions [by rejecting the "material breach" clause], the world body will henceforth play only in a Little League of nations." If the "no" votes succeed in the UN, he writes, "It would also show that Colin Powell's faith in the UN system and his own persuasive powers has been grievously misplaced."

But Bush will not be deterred from going to war, Safire says, and quotes "one pundit," unidentified, in the following account of the war booty to be won: "Britain would replace France as the chief European dealer in Iraqi oil and equipment. Syria ... would be frozen out. The government of New Iraq, under the tutelage and initial control of the victorious coalition, and prosperous after shedding the burden of a huge army and corrupt Baath Party, would reimburse the U.S. and Britain for much of their costs in the war and transitional government out of future oil revenues and contracts. If Turkey's powerful army on Iraq's border significantly shortens the war, its longtime claim to royalties from the Kirkuk oil fields would at last be honored.... The evolving democratic government of New Iraq would repudiate the corrupt \$8-billion 'debt' that Russia claims was run up by Saddam.... Rising production from a non-OPEC Iraq, matched by Saudi price cuts from princes desperate to hold market share, could well reduce world oil prices by a third. This would be a great boon to the poor in many developing nations, rejuvenate Japan and encourage prosperity worldwide, though it would temporarily impoverish Putin's Russia, now wholly dependent on oil revenues."

Thus, Safire concludes, "The Paris-Moscow-Beijing axis of greed whose commerce-driven politicians seek to prop up the doomed Saddam in the UN will find its policy highly unprofitable."

Tom Ridge To Visit London for Tips on Fighting War on Terror

U.S. Homeland Security Chief Tom Ridge Will be in London this week, to discuss how the expanded Bush Administration Homeland Security operation can be modelled on Britain's MI-5 domestic intelligence service, according to British press reports Oct. 31. Ridge is scheduled to meet Elizabeth Manningham-Butler, director of MI-5; Sir Richard Dearlove, director of MI-6 (aka "C"); British Home Secretary David Blunkett; and several senior Scotland Yard officials.

Ridge has given interviews to both the *Telegraph* and *Times*. The latter cites him as saying that another mega-terrorist act inside the U.S. is "inevitable." The *Telegraph* claims that there is a growing recognition in Washington, that Britain and Israel have the two best intelligence services for monitoring and fighting terrorism.

Bush Showed Signs of Stress at APEC Summit

About the most significant development at last weekend's Asia-Pacific Economic Cooperation Forum (APEC) summit of 21 Asian and American heads of state/government at Los Cabos, was the obvious signs that President Bush displayed of mental stress. When a President of the United States demonstrates the kind of stressed-out state of mind that Bush showed at Los Cabos, this is a matter of strategic concern. According to news accounts of the summit, published in the Oct. 27 and Oct. 28 *Washington Post*, Bush displayed a degree of impatience with the proceedings that bordered on a major diplomatic

breach.

From Sunday's *Post* description: "Bush has little patience with ceremony and has always kept his visits to international gatherings as brief as possible. With other leaders not rushing to embrace his plans, he did not conceal his testiness today. The only time he spoke to reporters was during a photo session with [Mexican President Vicente] Fox, and he glowered during Fox's windup and looked annoyed at the unruliness of the camera crews. The last straw was when a cell phone went off, which infuriates Bush, even when the violator is a member of his staff. In a breach of protocol, Bush cut off the translator before Fox's answers could be rendered in English, and the White House transcript ignored Fox's words, saying simply, 'Answered in Spanish.'"

From Monday's coverage: "Bush, said a Mexican official who asked not to be identified, is today a different person than he was when he met Fox in Guanajuato and at the White House—visits that now seem a lifetime ago. The man who once made Mexicans feel relaxed and welcome now makes them nervous and often irritated. The Mexicans find Bush, once easygoing and open, now tough and single-minded....

"[T]hey say they are puzzled over the Administration's seeming inability to pay attention to more than one foreign policy issue at a time."

One of the issues between the two countries is Mexican immigration into the U.S.; Bush had promised to ease up on Mexican immigrants, but since 9/11, the U.S. has instead tightened its border security.

The Bush Administration, the *Post* reported, says privately that they wonder "why Mexico cannot be more understanding of the international and domestic pressures Bush is under, and the enormous security concerns he has to deal with."

IBERO-AMERICAN NEWS DIGEST

Dangerous Impasse Continues in Venezuela

A dangerous impasse continues in Venezuela, as President Hugo Chavez attacks his opposition as criminal coup-plotters, and the opposition sticks to its single-minded "Chavez must go" position.

Chavez had been silent for the first three days after a group of 14 generals and admirals declared themselves to be in rebellion against the regime, and took over the main plaza in the Altamira section of Caracas, the capital, on Oct. 21. But on Oct. 24, he accused the military officers of committing "criminal acts," and promised the government would take action. The next day, he charged that the officers were preparing "a military insurrection," and said he would repress them by force of arms, should any coup attempt occur. Chavez argued that the military has no right to take recourse to Article 350 of the Constitution—which grants the right to civil disobedience to restore democracy, if a government is violating it—because his government is the democracy. "I am not going to resign," he vowed, and called on his supporters to be prepared "to take to the streets to defend our Venezuelan democracy."

Late on Oct. 25, a judge issued summonses to at least 43 military and civilian protesters to appear in court on Oct. 28, to face possible charges of rebellion, which can carry a prison term of up to 30 years.

One week later, no action had been taken against the Altamira Plaza protest, which continues unabated. In fact, the opposition movement has been gaining adherents, and political steam. There are now an estimated 100-150 military officers who have come out in support of the rebellion, most of them staying in the Altamira Plaza in order to avoid arrest. The opposition civilian and military leadership have agreed that neither side would take action separate from the other.

Adding to the show, was a visit by Organization of American States Secretary General Cesar Gaviria, who flew to Caracas Oct. 27 for several days of shuttle diplomacy between the government and various opposition leaders. Gaviria insisted, as have U.S. State Department officials, that the solution to the crisis lies in elections, but there are no signs of any agreement whatsoever on when elections could be held, and for what, and under what conditions. Proposals range from Chavez's promise that, come August 2003, he might accept a referendum on whether he stays or goes, to demands that that referendum be held by Dec. 4, to the ultimatum that elections be held only after Chavez resigns, which is the position of the military officers camped out in the Plaza.

Meanwhile, the situation within the Armed Forces remains as tense as that nationally. The heads of three key military garrisons (Caracas, the central command in Maracay, and the command in Venezuela's principal oil region, Zulia) proclaimed their loyalty to Chavez, but the tension in the military bases around the country is reportedly extremely high, as no officer is sure where another officer stands in the crisis which appears certain to come. Army Commander Gen. Julio Garcia Montoya held an eight-hour closed-door meeting Oct. 24 with the officers of the Maturin base, one of the two bases rumored, falsely, to have rebelled on Oct. 21. General Montoya's attempt to pass off his visit as previously scheduled and routine, convinced no one.

Political Crises Hit Uruguay, Paraguay; Will Chile Be Next?

Uruguay's governing coalition fell apart Oct. 28, when four Cabinet members from the National Party, the minority partner in the government of President Jorge Batlle, resigned in disagreement over how to handle the economic crisis rocking the country. The Industry and Energy, Sports, Housing, and Education and Culture Ministers handed in their resignations, while National Party leader and former President Alberto Lacalle stated publicly that he had made a mistake in supporting Batlle's campaign for the Presidency.

Despite receiving a \$3-billion bailout package from the IMF earlier this year, Uruguay is on the verge of default. "Investors have already priced into Uruguay's bonds the significant likelihood of a default," New York analyst Christian Stracke told *Bloomberg* Oct. 29. But Stracke insisted that the U.S. Treasury and IMF will "bend over backwards to prevent Uruguay going the same way as Argentina," adding that Batlle is "the only real ally they have in South America now."

Things aren't looking good for Uruguay's neighbors, either. In Paraguay, President Luis Gonzalez Macchi may not last in office through next April's elections. Accused of illicit enrichment and corruption, he has lost the support of his own Colorado Party. A week ago, his Vice President, Julio Cesar Franco, an ally of nationalist Gen. Lino Oviedo, resigned to launch his own Presidential campaign. Intersecting this, is the battle in the Congress over the austerity package demanded by the IMF. The package, which includes big tax increases, has passed in the Senate, but may go down to defeat in the lower House.

There are jitters over what might happen in free-market bastion Chile, particularly should Brazil default. *Reuters* notes that foreign investment in Chile would be hit very hard by a Brazilian default, and that the peso, which has declined by 11% this year, is extremely vulnerable to speculative attack.

Urban Terrorism on the Rise Across Colombia

Since the bombing of the Presidential palace in Bogota on inauguration day this past August, the FARC/ELN narcoterrorists in Colombia have thrown much of their resources into building urban terrorist networks, largely recruited from the dregs of the defunct Medellin and Cali drug cartels, and from the lumpenized population in every major city. In response to President Alvaro Uribe's attempts to use informants and targetted military/police raids to clean out these terrorist nests in Medellin earlier this month, the FARC/ELN have gone on an urban rampage. In just the last week in

October, car bombs and grenades have been used against political and military targets in the cities of Bogota (Cundinamarca province), Medellin (Antioquia), Barranquilla (Atlantico), Arauca (Arauca), and Subia (Cundinamarca). Other provinces that have been hit include Sucre, Cesar and Cauca. Scores of casualties are being reported, while targetted assassinations also continue, of mayors and city councilmen who have refused to resign at the FARC's demand.

IMF Turns the Screws; Tells Argentina, 'No Deal'

Argentina's negotiating team returned to Buenos Aires Nov. 1, without any deal with the IMF. Finance Minister Roberto Lavagna met in Washington with IMF Managing Director Horst Koehler, Deputy Director Anne Krueger, and Western Hemisphere Division chief Anoop Singh, but "key" issues were not resolved, according to an IMF statement released late on Nov. 1. Both the Fund and Argentina are now saying that they will continue working on the issues in hope of reaching an agreement. But, speaking from Quito, Ecuador, Foreign Minister Carlos Ruckauff said his government's relations with the Fund were "stormy," due to the demands made by the IMF's "technocracy," whose guidelines "don't work in today's world." Right now, he said, "We don't have the conditions to keep paying the multilateral [agencies]." Argentina is scheduled to make an \$800-million payment to the World Bank on Nov. 9.

What the IMF wanted was "shock" policies, demanded specifically by Deputy Managing Director Krueger. This included a fiscal "adjustment" of \$4.5 billion, a 30% increase in utility rates, tax increases, and a full free-float of the peso (no Central Bank intervention to defend it). The Fund also wants the government to halt the practice of allowing taxes to be paid with either provincial bonds or government debt paper— something that cannot practically be done in today's Argentina. The situation is such that one-third of September's tax revenues were paid in the form of these bonds, which are also used by provincial governments to pay salaries and suppliers. Many companies are also able to buy greatly devalued debt paper, and then use this to pay taxes to the government at the bonds' nominal value, thus saving between 10% and 30%.

A *Clarín* correspondent also reported that the IMF is demanding a primary budget surplus which is *double* what Argentina says it can generate. (A primary budget surplus requires government revenues exceed all expenditures except debt payments, which are not permitted to be cut.)

One anonymous IMF source was quoted in *Clarín* Oct. 31, saying that Lula's victory in Brazil doesn't favor a quick agreement with Argentina. The Fund thinks "that if it lets up with Argentina, later it will have to loosen up with Brazil."

***Financial Times* Moots Possibility of Argentine Default**

As negotiations between Argentina and the IMF go down to the wire, London's *Financial Times* worries that the threat of a default on \$800 million due the World Bank on Nov. 9, is putting pressure on the IMF to come to an agreement. "While the world's financial markets have been focusing nervously on Brazil, a hazardous game of chicken has been unfolding in neighboring Argentina," the *FT* notes. Will Argentina allow itself to become an "international pariah" country like Iraq or Somalia, by defaulting on loans to multilateral institutions? The Duhalde government is using the threat of default as a "new weapon in their interminable negotiations" with the IMF, and even though it may not actually go over the brink, "the prospect of a default adds to the pressure on the Fund," the paper frets. The World Bank "has been affecting nonchalance," and while president James Wolfensohn says the Bank would survive a default, "he wouldn't like it much."

FDR 'Letter' to Lula: Go for a 'New Deal' in Brazil

In an imaginary letter from President Franklin Delano Roosevelt to Brazil's President-elect Lula da Silva, well-known Brazilian journalist Elio Gaspari uses his column in *Correio do Povo* Oct. 30 to tell Lula that if he wants to implement his program to help Brazil's poor— his anti-hunger program, for example— he'll have to contend with the same Wall Street "money-changers" that FDR confronted. And, he'll have to find the courage to "throw them out," as FDR did, in order to

carry out his New Deal.

In the fictional "letter," FDR recounts the history of what the United States looked like in 1933, and says that, beginning the day after his electoral victory, he too was warned by Wall Street bankers and big business that he had to "make a commitment to the market." Former President Herbert Hoover said that "my New Deal would bring fiscal irresponsibility, inflation, and ... dictatorship." Bernard Baruch "told me: Cut costs and collect taxes. Collect on everything, from everyone." But, Roosevelt explains, the country's social crisis was "ripping the hearts out of the poor.... The people proposed a reform of society; I go to the people, win the election, receive a mandate— and then these characters appear, giving the impression that the voters are imbeciles, and we're asses, unless we do what they want."

FDR opted for a different policy: "America had to produce, and the Americans had to consume. It was a matter of getting out of the crisis by returning to basics— something like your proposal to ensure Brazilians eat three meals a day." In his first Inaugural Address, FDR explains, he became famous for the phrase "The only thing we have to fear, is fear itself." But, "I like the part in which I deal with the 'money-changers,' the people who pose as wise as long as they have profits to distribute, but when the crisis came, they cried, begging for 'restoring confidence.'"

"You see, Mr. da Silva, how things really change very little?"

"FDR" concludes with this message to Brazil's next President: "You, Sir, embody the Brazilian dream, happily very similar to our old and good American dream. Inter-American greetings, from Franklin Roosevelt. "

Texas Demands Water from Drought-Stricken Mexico Region

Farmers from the South Texas agricultural region have cited a 1944 treaty to demand that drought-stricken Mexico provide water to Texas. In reality, the treaty has been nullified by 30 years of failure to build water infrastructure in the Rio Grande Basin.

Sanctions should be imposed on Mexico, stated South Texas farmers, a demand they have made for over two years. They charge that Mexico is withholding water: "Basically Mexico lied to the State Department, lied to everybody.... They refused to discuss the issue," said Gordon Hill, manager of the Bayview Irrigation District.

Texas Agriculture Commissioner Susan Combs raised the option Oct. 30 that the U.S. might withhold delivery of Colorado River water to Mexico. Combs said it's time to look at reprisals, such as cutting off U.S. foreign aid to Mexico.

Under the 1944 water-sharing treaty, the U.S. is to receive an average of 350,000 acre-feet a year from Mexico, mostly from the Mexican state of Chihuahua, in the Rio Grande River Basin. On Oct. 2, Mexico "defaulted," and "owes" about 1.5 million acre-feet of water. This area of North American has been suffering from intense drought for two years; the water resource base on which the 1944 agreement is premised, had been exceeded decades ago. New water supplies must be created.

WESTERN EUROPEAN NEWS DIGEST

Italian Economics Minister: We Need a New Deal

Italian Economics Minister Giulio Tremonti gave a long interview to the daily *Corriere della Sera* Oct. 27 on the issue of the international economic crisis and the economic policy of the Italian government. Towards the end of the interview, after defending the tax-reduction policy of the government, Tremonti said, "If the recovery does not come, I believe we should

implement a Europe-wide New Deal." Question: "You mean a European investment plan in public works, promoted by governments and financed off budget?" Tremonti: "I do not say one word more." Question: "Will you talk about it at the European Financial Ministers' meeting at the beginning of November?" Tremonti: "I do not think so."

The figure internationally who is most closely associated with calling for a return to Franklin Roosevelt's economic and social approach is, of course, Lyndon LaRouche, the author of the New Bretton Woods proposal, which was recently in effect in endorsed by a resolution passed by the Italian Parliament.

Chirac and Blair Go to War—With Each Other

French President Jacques Chirac came close to flatting British Prime Minister Tony Blair, in a "direct and absolutely extraordinary attack on the Prime Minister," as one British diplomat put it, according to a front-page *Financial Times* Oct. 28. The row between Chirac and Blair occurred the previous at the European Union summit in Brussels, as British-French tensions peaked over issues including Iraq and European farm subsidies.

The *Times* gave the following account: "The French President is understood to have walked up to Mr. Blair, and launched a direct personal attack, in the presence of EU heads of government and officials: 'You have been very rude, and I have never been spoken to like this before.' " Blair, said the *Times*, "is reported to have been shocked by the attack." The paper further comments, that "the encounter came amid signs of a resurgence of the relationship between Paris and Berlin."

The political war escalated when the British press revealed Oct. 27 that an "enraged Chirac" followed up his outburst by cancelling the next Anglo-French summit, planned for December. Later press reports said the summit had been rescheduled, grudgingly, for January.

Blair's 10 Downing Street has admitted that there were "vigorous exchanges" between Chirac and Blair in Brussels.

A highly informed British source told *EIR*, "The friction was not really because of the agricultural subsidies, as most of the media is reporting. It was over Iraq, and France's stubborn opposition to the Anglo-American resolution in the Security Council."

Franco-German Compromise on EU Agricultural Subsidies

The Franco-German deal paves the way for a European Union compromise on funds for agricultural payments, including after the EU's expansion eastward, with the accession of new Eastern European nations to membership. At their Brussels special summit on the expansion of the European Union to Eastern Europe, the leaders of the 15 member countries made a compromise based on the Franco-German proposal worked out on Oct. 14, between President Chirac and Chancellor Gerhard Schroeder.

The proposal is to leave the total volume of agricultural payments to the member-states untouched until 2006, and then keep it frozen at the 2006 level until 2013, with an annual inflation adjustment of 1.5% added, from 2007 on. Potential opposition from British Prime Minister Blair was deterred by Chirac's threat (backed by Schroeder) to set aside the 1984 agreement on special EU rebates to Britain—which were 7.5 billion euros in 2001 alone. It was in this context that the very, very tense encounter took place between Chirac and Blair.

Payments will be available also to the new EU members in East Europe, from 2004 on, with the perspective of increases in annual installments. These payments will be made from the extra inflation adjustment of 1.5%.

This protects French farming interests (France is the biggest single receiver of EU agro-funds) for the next few years, and blocks a further increase of payments, which would mostly have affected Germany as the biggest single payer into the EU budget. The compromise formula removes a longtime roadblock between Paris and Berlin, and opens the door to a revival of Franco-German initiatives on the European level. It is up to Paris and Berlin now to work out a future-oriented, real design for the expanded European Union—including, of course, a revision of Maastricht.

German Chancellor: Need Exemptions from Maastricht Criteria

German Chancellor Gerhard Schroeder reiterated his emphasis on the need for exemptions from the Maastricht budgetary criteria, in order to make it possible to promote investments. (Maastricht is the treaty which founded and governs the single-currency European Union.) In his first official government declaration after his recent reelection, Schroeder said that "a protracted uncertainty on the raw material and energy markets, caused by the explosive situation in the Near and Middle East, provides little basis for hope in a short-term improvement of the world [economic] situation. The classic instruments of stimulating consumption and investment through state subsidies and financial injections, are no longer available" under the Maastricht constraints.

Schroeder said that among the government's planned steps, the "restoration and modernization of infrastructure in the eastern states through an emphasis on public sector investment" is prominent, and that in order to gain maneuvering room to achieve that, "the Maastricht Stability Pact should and must be interpreted in a more flexible way." Without going into further detail, the Chancellor called for a mix of "growth-promoting investments by the state, intelligent budget cuts, and more honest and just taxation."

He added that there "is no reasonable and responsible alternative. He who in a volatile crisis calls for even deeper budget cuts by the state, risks damage being done to the interests of the citizens." His government, Schroeder said, does "not want an impoverished state that is incapable of acting. Such a state could be afforded only by the powerful and the privileged. But society has a right to a state that promotes the common good, offers opportunities, and organizes justice. For justice is more than the demand that everybody has to make sacrifices."

Schroeder called on the Germans for a national "partnership of responsibility," to master these challenges. It remains to be seen what concrete steps the government will take.

German Banks in Denial—Frantically So

The Britain-based *Independent* newspaper of Oct. 30, in the first sentence of an article entitled, "Are Germany's Banks About To Go the Same Way as Their Japanese Rivals?," reported that "Disappointing results and a recent surge of profit warnings has heightened speculation about the collapse of one of Germany's big four banks, sparking fears of a banking crisis in Europe's largest economy." The paper reported, "The slew of warnings from Germany's largest banks has shifted attention to Europe, with commentators warning of disturbing echoes of the banking crisis in Japan." Germany's big four banks, in order of asset size, are Deutsche Bank, Hypovereinsbank, Commerzbank, and Allianz/Dresdner Bank.

In response, German bankers are frantically denying reality. Ernst Welteke, head of the Bundesbank, said, according to the *Independent*, that "it was 'dishonest' to speak of a banking crisis ... Welteke acknowledged that Germany's banks are having a rough time, due to the stagnant state of its economy and the sickliness of some of its largest companies. But, he said, German's banks would emerge 'strengthened rather than weakened' " from the crisis. "Commerzbank's chairman Klaus-Peter Muller," stated the *Independent*, "inisted that despite the bank's warning on Monday it might suffer a loss this year, it was not in the middle of a full-blown banking crisis."

This echoes the delusions of JP Morgan Chase chairman William Harrison, who has insisted that Morgan Chase is stronger

than ever, even as it enters a death seizure similar to that of Enron in 2001, before it was forced to file for bankruptcy. The banking systems of the world's three major economies, the United States, Japan, and Germany, representing among them between two-fifths and two-thirds of the assets of the world's banking system, are in a simultaneous meltdown.

Massive Russian Pressure on Denmark Leads to Arrest of Chechen Leader

After the protests by Russian President Vladimir Putin against the Danes for allowing the World Chechen Conference to be held in Copenhagen, the vice chairman of the Duma Foreign Policy Committee, Vladimir Lukin, announced the Duma would promote a severing of ties between Russia and Denmark. In an interview to *Politiken*, reported by *IRNA*, Lukin said: "The Danish government and the Parliament's foreign policy committee are, in effect, supporters of the individuals responsible for the hostage-taking of hundreds of innocent people in Moscow. I therefore intend to push a proposed resolution in the Duma for Russia to break any and all contact with the Danish Parliament until Russia receives an official apology from Denmark."

On Oct. 28, Putin cancelled his trip to Denmark, and the Danish government decided to change the venue of the EU-Russia summit to Brussels. On Oct. 30, the Danish police arrested Ahmed Zakayev, an envoy of Chechen President Aslan Maskhadov, and Deputy Prime Minister. He had been attending the Chechen conference in Copenhagen. Danish TV said he is suspected of involvement in the hostage-taking in Moscow.

The Danish government was asked Oct. 30 by Moscow to extradite Zakayev to stand trial in Russia, which the Danish Ambassador to Russia, Lars Vissing, said they will not do because they do not have an extradition treaty and Russia has not outlawed the death penalty. Nonetheless, Russian Justice Minister Yury Chaika said he was confident the Chechen envoy will be extradited from Denmark.

The London *Times* reports Russia is also pressuring Britain to crack down on Chechen terrorist networks. Russia is to bring up the matter at the upcoming Anglo-Russian security summit.

White House Supports Putin's Handling of Hostage Crisis

Although the U.S. Ambassador to Russia made comments critical of aspects of the handling of the recent Moscow hostage crisis by Russian authorities, White House spokesman Ari Fleischer was very careful this past week not to criticize President Putin's handling of the crisis—despite reporters determined to goad him into doing so.

"As for the President and his thinking about all this, the President feels very strongly that the responsibility for this rests with the terrorists, who took these people hostage and put them in harm's way in the first place," Fleischer said. "That's where the President believes the fault lies."

When a reporter persisted, asking whether the President thinks "it was okay to use gas" to storm the terrorist-held theater, Fleischer answered that "...the President makes no mistake about who is to blame for this. The people who put people in harm's way are the terrorists.... The President understands that in this circumstance you had terrorists who had proven that they were going to kill; who had already killed; who were deadly serious about killing more; who had 700 hostages; who had the theater booby-trapped and were prepared to take mass quantities of life. The President views this entire matter as a tragic one. But it's a tragedy that was brought on as result of the terrorists who put people in [harm's] way...."

Russia and Central Asia News Digest

Iran and Russia Negotiating 10-Year Economic Agreement

Talks between Russian Deputy Prime Minister Viktor Khristenko and Iranian Oil Minister Bijan Namdar Zanganeh have advanced plans for a 10-year economic agreement between their two countries, *IRNA* reported from Moscow Oct. 24. The 10-year deal is intended to pave the way for wide-ranging bilateral economic cooperation, especially in the oil and fuel sector. Zanganeh also held talks with Energy Minister Igor Yusufov, focussed on Russian investments in the Iranian Southern Pars, the world's biggest gas field.

The talks were not only bilateral, but were held in the context of relations between Russia and OPEC. Khristenko stated: "We discussed the situation regarding Russia-OPEC cooperation and prospects for our interaction in the oil market." Iran and Saudi Arabia are the biggest OPEC producers.

The Iranian-Russian talks occurred at the same time as the reported visit of Saudi Prince Turki to Moscow, and the hostage crisis at the Moscow theater (see INDEPTH).

More Dimensions of Saudi-Russian Cooperation Reported

"Could anyone imagine just a year ago that Russian oil companies would be given access to such a strategic prize of U.S. national interests: Saudi oilfields?" asked an Oct. 31 commentary in the Russian web publication *Pravda.ru*. The article reported that, just two weeks after the first session of the Saudi-Russian Joint Commission on Economic, Commercial, Investment and Technical Cooperation, held in mid-October, the Saudi government has decided to allow Russian oil and gas companies to work on the development of oil and gas fields in Saudi Arabia.

Pravda.ru went on to link this development to the serious damage done to Saudi-American relations, after the 9/11 attacks were blamed on Osama bin Laden. "Although no official accusations have been made, U.S. reports say that it is obvious that the money the USA pays for Saudi Arabian oil is being spent on the development of Wahhabism (which is the same as terrorism). These reports can only be issued with the sanctions of the U.S. State Department." Since then, *Pravda.ru* wrote, "The withdrawal of Saudi capital from the USA took place within a very short period, which scared investors of the world."

Gas Pipeline from Russia's Sakhalin to Japan Is Discussed

Japan's government is ready to support the natural gas pipeline project connecting the Sakhalin-1 deposit with Japan, Moscow's *Vedomosti* reported Oct. 23. The final agreements are supposed to be signed in January by Russian President Vladimir Putin and Japanese Prime Minister Junichiro Koizumi. Traditionally, Japan has imported natural gas from Indonesia, Australia, Qatar, and Brunei.

Russian interests (daughter companies of Rosneft) own 20% of the Sakhalin-1 project, which is located on Sakhalin Island off the Pacific Coast of Russia and just north of Japan. The rest is shared among Exxon Mobil (U.S.), SODECO (Japan), and ONGC (India).

Commonwealth of Independent States Forms Energy Council

On Oct. 23, energy ministers from all the CIS countries except Turkmenistan, assembled at the President Hotel in Moscow, on invitation from Russian Energy Minister Igor Yusufov (the CIS includes newly independent states that were formerly republics in the Soviet Union). In his speech to the gathering, Yusufov linked the problem of energy independence of the CIS countries with their collective security. At the same time, he urged the leadership of the oil and gas exporters among the CIS members, to establish more durable connections with transit countries, as well as the final consumers. He expressed belief that the CIS states could pursue a joint energy policy.

Yusufov's deputy Oleg Gordeyev, according to the daily *Kommersant* of Oct. 24, estimated the share of CIS countries in world energy production as very significant: 12% of the oil, 25% of the natural gas, and 10% of the electric power. Each of the guests emphasized the success of his country in the relevant sphere: Kazakhstan's Vladimir Shkolnik claimed that by 2015, oil extraction in his country will rise from today's 45 million tons per year, to 150 million tons; Moldavia's Yakob Timchuk proposed to unify the efforts of Russia, Ukraine, Belarus, and his country, to transport electric power to Bulgaria and Yugoslavia; Georgia's David Mirkhulava spoke of exporting electricity from Russia and Azerbaijan via Georgia to Turkey.

A report on the concept of the newly established CIS Fuel and Energy Council was given by Ukrainian Fuel Minister Vitali Haiduk. He announced that, by December, the new body will select its secretariat and working groups on oil, gas, coal, electric power, and joint legislation on rates policies.

Putin Warns 'Ideologues and Financiers' of Terrorism

On Oct. 28, a national day of mourning in Russia for the victims of the Chechen hostage-taking in Moscow the previous week, President Vladimir Putin spoke to a Cabinet meeting, announcing a change in the standing instructions to the Russian Armed Forces General Staff with respect to terrorism. Putin said, "We are paying a high price both for the weakness of the state, and for inconsistent actions." He stated that "Russia will make no deals with terrorists and will not give in to any blackmail."

He then characterized "international terrorism" as becoming crueller, and developed this as follows: "Terrorist threats are to be heard in various parts of the world about using means comparable with weapons of mass destruction. With full responsibility, I want to state that if anyone so much as tries to use such means against our country, Russia will respond with measures adequate to the threat to the Russian Federation. Against all places where the terrorists themselves, the organizers of these crimes, and their ideological and financial inspirers are located. I stress— wherever they might be."

Putin added, "The corresponding instructions on making changes in plans for the use of the armed forces have been issued today to the General Staff of the Armed Forces of the Russian Federation."

Russia Demands Britain Crack Down on Chechen Networks

Beyond Russia's strenuous protest to Denmark for allowing the World Chechen Congress to go forward the weekend of Oct. 26 (see INDEPTH), the *Times* of London reports that Russia has also pressured Britain to crack down on Chechen terrorist networks. Russia is to bring up the matter at the upcoming Anglo-Russian security summit. "The Russian are so concerned at the activities of some British groups that they have been gathering their own intelligence on them," the *Times* reports. The paper quotes a Russian diplomat who said, "We know there are some in Britain who boast of sending money to what they call Chechen freedom-fighters and also send British recruits to shoot at Russian soldiers." As *EIR* has documented since 1996, the Chechen operation is heavily "infiltrated" by British elements, to put it mildly, and has multiple points of liaison in London.

Netanyahu, Other Israeli Crazy's Meddle in Chechen Terrorism Policy

In the midst of the Moscow hostage crisis, former Israeli Prime Minister Benjamin Netanyahu popped up on Russian television to promote the inevitability of new, more serious attacks, which should prompt Russia to back the Israeli and U.S. war hawks' policies.

Appearing by satellite hookup on the Oct. 27 edition of Vladimir Pozner's *Vremena* program, Netanyahu drew an alarmist

picture of a coming second terrorist attack in Russia, this time with the use of portable nuclear weapons. From this, he jumped to the conclusion that Russia should support the Israeli side in the Mideast, Israel could assist Russia in the war against Chechen terrorists, while the U.S. should support them both.

On the same program, Russian politicians across a broad political spectrum, from liberal leader Boris Nemtsov ("Russia's position is close to that of France") to Moscow Mayor Yuri Luzhkov ("Russia has become more free to make its own choice"), opposed allowing the hostage-taking to push Russia in the direction of supporting an attack on Iraq, in particular.

The line that Putin must turn to the Israeli war hawks for advice and collaboration, was also plugged in an Oct. 30 *Jerusalem Post* article by Sharon biographer and toady Uri Dan, who played up the image of Movsar Barayev's band of hostage-takers, wearing "explosive belts, and head bands bearing the words in Arabic: 'There is no God but Allah,' just like the Hizbullah terrorists in Lebanon, or the Hamas and Islamic Jihad suicide bombers." He claimed there were intelligence leaks about Chechens being in close phone contact "with people from the Hamas and the Islamic Jihad in the [Israeli-occupied] territories." Uri Dan wrote that Putin's only hope is to cultivate the special relationship sought with him since 1999 by Ariel Sharon's aide Maj. Gen. (Res.) Meir Dagan, who has just become head of the Mossad.

General Ivashov Warns U.S.: Invasion of Iraq May Trigger Global Civil War, Economic Collapse

Russian Gen. Col. Leonid Ivashov, vice-president of the Geopolitical Studies Academy, gave an interview to the weekly newspaper *Vek* on Oct. 18, which was carried in Defense and Security the next week. He warned that a U.S. invasion of Iraq could trigger a global civil war, targetted against the United States and its new doctrine of unilateral empire. Ivashov linked the Iraq war drive to the collapsing U.S. economy: "The U.S. is experiencing a serious economic crisis," he told the interviewer, "and it sees a solution to this in seizing the world's key oil deposit regions. The launch of aggression against Iraq will signal that the battle over redistribution of global energy resources has entered its decisive stage."

Ivashov warned that, no matter what the outcome of a U.S. military action against Iraq, the "consequences will be very serious," because the U.S. action will end the global security system erected at the close of World War II. "The United States," he said, "is usurping the right to decide the fate of any state which it finds to be unsatisfactory, for whatever reason. This could lead to the world sliding into chaos. According to our analysts, the world will see a new phenomenon: global civil war." Ivashov further forecast the emergence of coalitions of nations allied against the new American policy, engaging in economic warfare.

He also stated clearly that the instability on the world oil markets that would result from a unilateral U.S. takeover of the Persian Gulf reserves, would be bad for Russia, because the wild fluctuations in price would undermine stable long-term economic planning and investment.

MIDEAST NEWS DIGEST

Saudi-Iraqi Border Reopened in Peace Move

As part of the growing pattern of events signalling Saudi Arabia's opposition to the planned war against Iraq, and the need for better relations among nations of the region, a 101-member Saudi business delegation witnessed on Oct. 31 the reopening of Arar border post, which was closed 12 years ago in wake of the Gulf war. The reopening is expected to boost trade between the two Arab neighbors.

The Saudi delegation, representing 43 companies and including government officials, was the first to cross the border after the reopening to attend a major trade fair in Baghdad. Organized by the Saudi Exports Center, the team includes Dr. Abdul

Rahman Al-Zamil, chairman of the center and a member of the Shoura Council (the legislative authority in the country), and Dr. Fahd Al-Sultan, secretary-general of the Council of Saudi Chambers of Commerce and Industry.

Iraq announced it is reopening the border post to allow goods into the country under the United Nations oil-for-food program. The move is one of several signs that Baghdad wants to improve its relationship with Saudi Arabia, said the English-language *Arab News* Oct. 31.

The move is described as a major step toward upgrading trade ties between Iraq and Saudi Arabia because Saudi Arabia's exports, now sent indirectly through neighboring countries, will go directly into Iraq when the crossing at Arar is reopened. The crossing, 340 km southwest of Baghdad, was a major conduit for goods in and out Iraq before the Gulf War. Saudi Arabia asked Iraq to reopen the crossing in October 2000, and Baghdad gave its approval last June. Five years ago there was no trade between Saudi Arabia and Iraq, but trade is expected to reach \$1 billion in 2002.

Iran Takes Diplomatic Role in Seeking Regional Stability

In addition to the peaceful initiative between Iraq and Saudi Arabia, another of Iraq's neighbors, Iran, has taken significant diplomatic steps against an Iraq war, and for stability in the region.

At a press conference in Spain with Prime Minister Jose Maria Aznar on Oct. 30, Iranian President Khatami said the Bush Administration and Al Qaeda are "two poles of extremism which both lead to terrorism in the world," according to the paraphrase offered by the Iranian state news agency *IRNA*. Khatami "voiced Iran's opposition to the U.S. unilateral and bullying approach toward the international issues and said that the U.S. Administration has not the right to interfere in Iraqi internal affairs and make decisions on behalf of the Iraqi people, because certainly the American people will not allow the Iraqi government to set up a government for them," reported *IRNA*.

At a reception organized in his honor, at the Madrid Royal Palace, Khatami declared, "Terrorism can be neutralized only from the positions of morals and justice." That is why it is inadmissible to pursue "a policy of unilateral actions and divide the world into countries of 'the axis of evil' and 'the axis of good.'" Khatami is on a three-day state visit to Spain. Contracts are to be signed for investments in the oil and gas industries, up to 5 billion euros.

On Oct. 27, reports *IRNA*, in Tehran, Iranian Foreign Minister Kamal Kharrazi totally rejected an alleged press report citing him as saying that Iran may assist opposition Iraqi groups in a move to oust Saddam Hussein. "This news is totally unfounded. We are basically opposed to a war and think that the Iraqi problem must be resolved through diplomatic ways, and when our position is a total rejection of any military operation, there remains no room for such talk." Kharrazi was speaking in a press conference in Tehran together with Swiss Foreign Minister Joseph Deiss. Kharrazi also indicated that "despite a slight change of tone in U.S. rhetoric toward Iran recently, the two countries remained at odds as before, even with more distrust existing between them." He added, "Since the Afghanistan events and the American way of behavior towards Iran after them, distrust [between Iran and U.S.] has increased. We have, however, noticed a change in the American tone, but this does not mean problems between the two countries have been resolved."

The two Foreign Ministers also ruled out speculation that Deiss may have been carrying a message from the U.S. government in his visit, stressing that the trip was only aimed at bolstering ties between Tehran and Bern. "Mr. Deiss is visiting as the Foreign Minister of Switzerland and not as the representative of America," Kharrazi said, adding "differences between Iran and America are still remaining and no effective step has been taken." Deiss said Tehran and Bern held common stances on the fight against terrorism and that Switzerland is opposed to unilateral American action against Iraq. "The Swiss government believes that any action must be carried out under the UN auspices and it is opposed to unilateral American moves," he said, adding that the "Iraqis must also cooperate with the United Nations on a peaceful settlement of the crisis."

Iran Builds Economic Ties to Russia, Iraq

Iran and Russia are negotiating a 10-year economic agreement, according to news released Oct. 24 in Moscow after talks between Russian Deputy Prime Minister Viktor Khristenko and Iranian Oil Minister Bijan Namdar Zanganeh. The 10-year deal is to pave the way for wide-ranging bilateral economic cooperation, the oil and fuel sector. Zanganeh also held talks with Energy Minister Igor Yusufov, which focussed on Russian investments in the Iranian Southern Pars, the world's biggest gas field.

As reported in the RUSSIA NEWS DIGEST, the talks occurred at the same time as the Saudi delegation's visit to Moscow (See this week's INDEPTH for full coverage).

At the same time, *INA*, the official Iraqi state news agency, is reporting that more than 50 Iranian companies are expected to take part in Baghdad's Annual International Trade Fair this week, plus dozens of European firms, mainly French and German.

Israeli Crimes Against Humanity Continue in Palestine

A new report by Doctors for Human Rights details the medical atrocities that Israel is responsible for in the occupied territories. Stillbirths in Palestinian villages in the West Bank are up by 500%, while the number of babies born at home has doubled because of the Israeli sieges, closures and roadblocks. Thirty-nine births have taken place at roadblocks, and some 600 cases are reported of the Israeli Army preventing ambulances from moving sick and injured people. In addition, there have been 140 attacks on ambulances. Ambulances were prevented 70% of the time from reaching the places where they are needed, forcing the sick to meet the ambulance at a roadblock.

The report, entitled "Organized Injustice— the Right to Health in the Occupied Territories Under Closure and Siege," says, "With the transportation of doctors, the ill, medicine, and even oxygen tanks, the Palestinian health system encounters one of the harshest human rights violations. This violation ... is hidden in a mountain of bureaucracy and is presented as if its goal is to help civilian life continue under the closure and siege, which are the fruits of Israel's security policy...."

Professor Eran Dolb— who is not a member of the group, but director of international medicine at Tel Aviv's Ichilov Medical Center and former chief medical officer of the Israel Defense Forces— expressed outrage at the findings. "As a civilian and a doctor, I cannot sit quietly as these things happen. It is not possible that an entire population is captive on health matters and the rights on which there can be no argument." When asked why he was criticizing the Israeli policy, he said, "There are subjects that go beyond belonging to an organization, when you face your conscience and say no more."

In another development, *Ha'aretz* of Oct. 29 reports that Palestinian detainees at the Ketsiot prison camp in the Negev are being held under concentration-camp-type conditions. Prisoners are protesting the conditions at the camp, which is no more than a fenced-in enclosure, where prisoners live in crowded tents with no hot water, and electricity is available for only a few hours a day. There are 1,000 prisoners in the camp; 80% are administrative detainees, meaning that they have not been charged with any crime; they have been held for months and have not been able to see their relatives.

This is only one of several prisons where up to 10,000 prisoners are reportedly being held under conditions that violate the Geneva Conventions.

U.S. Puts Military Pieces in Place for Iraq War

The London *Financial Times* on Oct. 31 became the latest publication to point to a major military buildup in the Middle East/Persian Gulf, which is anything but routine. "The Pentagon has been ordering new troops to the Gulf, in a further sign that the U.S. is preparing for war with Iraq, should weapons inspections fail," said the *FT*.

This weekend "saw the departure of the USS Constellation carrier group, which will head towards the Arabian Sea. The group— which includes 8,000 sailors on eight ships— will join the USS George Washington and the USS Abraham Lincoln, two other carrier groups in the region. It will be followed by the USS Harry Truman, which is scheduled to head to the Gulf in early December."

The *FT* says that an estimated 48-50,000 American soldiers have been deployed in the region. Patrick Garrett, a military analyst with GlobalSecurity.org, is quoted: "Not only have the actual numbers there changed dramatically.... There's a lot of hardware that's getting moved out that was not scheduled to move any time soon."

Meanwhile the U.S. military liaison on war with Iraq, James Metzger, assistant to Chairman of the Joint Chiefs of Staff Richard Myers, arrived in Israel on Oct. 31. He met with Israeli Chief of Staff Moshe Ya'alon and is expected to meet other top officials, including National Security Adviser Ephraim Halevy. It is not reported how long he will be staying.

Bush Policy Means World War III, Charges Cronkite

The usually staid former CBS anchorman Walter Cronkite is charging that if the Bush Administration goes it alone in Iraq, it could lead to "World War III." In a speech at Texas A&M University this week, he commented, "The threat from the White House is to go in anyway. Our only ally would probably be Great Britain. That is not good enough. I see the possibility, if we do that, of really setting forth World War III." Cronkite added that "legitimacy of our actions" depends on endorsement through the United Nations, but also that "our democracy is in some danger" in the U.S. because of how elections are run. Noting that only about a quarter of the U.S. electorate vote to choose leaders, he complained, "That means we don't have a democracy. We've got an oligarchy here..."

Another veteran news commentator, syndicated columnist Georgie Anne Geyer, says that the Bush policy on the Middle East "falls so far from the truth that one has to wonder exactly what planet our leaders inhabit." She refers specifically to the fallacy pushed by Bush and others since Sept. 11, that the reason the Islamic world opposes the United States, is that "they hate us because of our freedoms."

Writing from Amman, Jordan, Geyer says that the rage against the U.S. in the Middle East is not based on some clash of civilizations, or envy; but "on very realistic resentments of very specific U.S. acts, policies, and presumptions." She says an Arab journalist warned "the Middle East may be off limits to Americans very soon. You're embarrassing all the Arab regimes ... people feel that American policy has developed from being pro-Israel to anti-Islam to taking Iraq and its oil fields."

Implicitly, such commentators are calling for a different American policy, but fall short of suggesting one. Exactly such an alternative is laid out by *EIR* founder Lyndon LaRouche in his strategic study, "A Boldly Modest Proposal for a U.S. Global Mission," where LaRouche lays out a real "American" foreign policy as developed by President John Quincy Adams' "community of principle among perfectly sovereign nation-states," and Franklin Delano Roosevelt's "Good Neighbor Policy."

War Party Recycling False Information of Iraq Links to Anthrax Attack

Over a year ago, Iraq warmonger Richard Butler, former head of the UN Weapons Inspection team UNSCOM, put out the

wildly false story that Iraq and Saddam Hussein were behind the anthrax letter attacks in the United States. Butler soon was exposed as what he is— a propaganda merchant for the Iraq war party, run by the nest of neo-con/Israeli agents inside the Bush Administration around Paul Wolfowitz, Richard Perle, and Dick Cheney's National Security aide, Lewis "Scooter" Libby.

But on Oct. 28, the *Washington Post* again became the outlet for the war party's propaganda in a lengthy front-page story that again tried to lay the *unsolved* anthrax attacks at Iraq's doorstep. The *Post* authors say, "UN and U.S. intelligence documents reviewed by the *Post* show that Iraq had bought all the essential equipment and ingredients needed to weaponize anthrax bacteria with silica for a grade consistent with the Daschle and Leahy letters." And, they say, "Bush Administration officials have acknowledged that the anthrax attacks were an important motivator in the U.S. decision to confront Iraq, and several senior Administration officials say today that they still strongly suspect a foreign source— perhaps Iraq...." *EIW* has carefully tracked this "story" over the past year, and found it stems from Butler, former CIA Director James Woolsey, of the rabid Israeli rightwing think tank the Jewish Institute for National Security Affairs (JINSA), and convicted financial scam artist Ahmed Chalabi, who wants to be the U.S.-installed head of an Iraqi puppet state (see article, INDEPTH).

Asia News Digest

'China Thinks Ahead: Asian Union in the Works'

The visit of Chinese President Jiang Zemin to George W. Bush in Texas, is "obviously a smart political trick by China." China devoted big efforts to preparing the visit, wrote *Pravda* correspondent Andrey Krushinsky on Oct. 29, efforts that included praise of U.S.-China relations, the opening of a U.S. FBI office in Beijing, and other steps.

However, *Pravda* says, "The truth is, that the world's only 'superpower' has turned out be unusually dependent upon other countries at the moment," especially due to the devastating economic effects that a war on Iraq would have.

Also, the North Korean "confession" about nuclear weapons, has made the U.S. more dependent upon China to resolve this crisis. Jiang Zemin, in Texas, made moderate statements on Iraq and North Korea, and Jiang "probably managed to demonstrate to George Bush his loyalty and bound himself by no obligations."

"It seems," *Pravda* continued, "that China's main objectives are currently to avoid engaging in a cold war with the USA, as well as to gain time to strengthen its own economy and to secure a strong geopolitical rear, in East Asia mainly."

China has been actively developing its relations with ASEAN during October, including "realization of large-scale projects for construction of the Trans-Asiatic gas pipeline, Pan-Asiatic railway, and the Program for the development of the Mekong region," *Pravda* continued.

Also, "introduction of a single Asian currency, similar to the euro in Europe, is currently being actively discussed. The Chinese yuan could be used as the basis for it."

The sixth ASEAN-plus-3 meeting will be held at the beginning of November, and Chinese Prime Minister Zhu Rongji will attend. "Does not this seem like the creation of something similar to an East Asian Council for Mutual Economic Aid, a creation of economic union to guarantee an economic basis for the East in its opposition from the West?" Krushinsky asked.

The U.S. attacks on the so-called "axis of evil" have helped this tendency mature, *Pravda* wrote. The East Asian Council for Mutual Economic Aid "would become a safe geopolitical rear for China, it would insure China from risks ... and help

with the creation of a new politically influential 'pole' in the world."

Koreans, Regional Partners Proceed with Silk Road

"The South and North Koreans are going ahead with the Iron Silk Road, the Americans are looking for a way out of nuclear war, and the Japanese are trying to compromise with everybody," a senior Korean diplomat characterized the situation in East Asia Oct. 30. The diplomat stressed that South Korean President Kim Dae-Jung made "an impassioned appeal in his APEC keynote speech" in Mexico that all 21 nations focus on "assisting Pyongyang out of its economic difficulties, once it has abandoned its nuclear ambitions." He added, "I would stress the offer of economic benefits."

President Kim, he said, was responsible for the emphasis in one of the final communiqués on "The potential for the Democratic People's Republic of Korea to benefit economically from greater participation as a member of the Asia-Pacific community. Such prospects rest upon the nuclear-weapons-free status of the Korean peninsula." On departing Seoul, he said, President Kim warned the U.S. against scrapping the Clinton-era "Agreed Framework" with Pyongyang; then in Mexico, Kim convinced Bush to stop insisting that the accord was "dead."

In Tokyo, Yukio Takeuchi, Vice Minister for Foreign Affairs, also hailed the accords achieved at the APEC in Mexico, as a diplomatic victory for Japan's policy of rapprochement with North Korea. "The Pyongyang Joint Declaration [signed by the North Korean and Japanese heads of state Sept. 17— ed.] has been recognized as forming the fundamental understanding" of how to deal with North Korea, he said. In meetings with Chinese President Jiang and Russian President Putin, Japanese Prime Minister Koizumi also worked on the wording in the APEC statement which "offers a special carrot and stick to North Korea," *Asahi News* reported Oct. 30. "The statement calls on Pyongyang to give up its nuclear program and join the Asia-Pacific community in order to become eligible for economic benefits."

"North Korea has started railway and roadway levelling work north of the Demilitarized Zone (DMZ)," a Seoul official told *Yonhap News* Oct. 30, in addition to continuing to clear mines and wire from the DMZ. An 18-member North Korean economic delegation headed by Park Nam-ki, chairman of the North's State Planning Commission, is meanwhile touring South Korean industry for nine days, taking a series of rides on Seoul's high-speed bullet train network to test the trains.

Russian Railways Minister Gennady Fadeyev arrived Oct. 30 in Pyongyang for a week, *Yonhap* and the *Voice of Russia* radio report. With him is a delegation of experts to assess the conditions of North Korean railroads and to estimate the costs of rebuilding them, which may reach 70 billion rubles.

Russia and North Korea have also issued a plan calling for the three-way emphasis of railroad tie-ups between the Koreans, Russia, and China. An August summit by North's leader Kim Jong-il and Russian President Putin agreed on work to connect Seoul and Pyongyang near Korea's east coast, with Wonsan on North Korea's west coast, bypassing China, and running the main line up the west coast via Tumangang and Khasan to Vladivostock. The new plan, however, calls for the main Trans-Korean rail line to pass first through China at Sinuiji, and then run north up the length of Chinese Manchuria, to link to Trans-Siberian Russian lines at Zabaikal. "South Korean and Chinese authorities are already working on the new project," *Voice of Russia* reports.

South-North summits also continue in Pyongyang, where officials of the two Koreas meet Oct. 30 on construction of the big joint industrial complex in Kaesong, just north of the DMZ from Seoul. At the meeting, the two sides are expected to set a date on opening a South Korean liaison office in Kaesong so construction can begin in December.

Anti-Muslim Riots in Colombo

The Sri Lankan government clamped a curfew on a Colombo suburb on Oct. 30 following clashes between Muslims and majority Sinhalas over the planned building of a mosque. Houses and cars were set on fire, and at least 13 people were wounded.

The clash took place while representatives from the Sri Lankan government, the rebel Tamil Tigers, and the Muslim minority headed for a second round of peace talks in Thailand to try to end the two-decade-old civil war that has claimed more than 64,000 lives. In addition, on Oct. 29, the Sri Lankan government decided to form an advisory committee to ensure the security of the island's Muslims in the northeast. The panel would ensure the participation of the Muslim community in the current affairs to chalk out a negotiated peaceful settlement with the Liberation Tigers of Tamil Eelam (LTTE).

The riot indicates that the chauvinist Sinhalas, who do not seek any settlement with the Tamils, have targetted the Muslims to sabotage the talks. It is reported that President Chandrika Kumaratunge is backing these chauvinists, who mostly represent the Buddhist temples. The Muslims became their target chiefly for two reasons. First, the LTTE, during the first round of talks, welcomed the Muslims to the northeast, where the Tamils are strong, and demanded an equal say of the Muslim community in the settlement talks. This enraged the Sinhalas.

The second reason is the publication of Dr. Rohan Gunaratna's book *Inside al-Qaeda*. Gunaratna, who is based in England and writes his papers on terrorism to propagate particular slant of the British intelligence (this book also satisfies the American intelligence viewpoint), claims that the Muslims are a threat because they have become a part of the al-Qaeda terrorist network. His line has given the Buddhist crowd an added opportunity to justify anti-Muslim riots and break down the peace talks.

Greater Mekong Subregional Grouping Holds Mini-Summit

On Nov. 3, just ahead of the annual ASEAN heads of state summit meeting in Phnom Penh, Cambodia Nov. 4-5, leaders of China, Vietnam, Thailand, Laos, Cambodia, and Myanmar met in Cambodia's capital. This meeting marks the 10th anniversary of the launch of the Asian Development Bank's Greater Mekong Subregion program, and was set to finalize \$11 billion worth of projects aimed at transforming the formerly wartorn region. The Asian Development Bank describes the project as "the new frontier for economic growth in Asia."

The Mekong Subregion encompasses an area the size of Western Europe which is home to 250 million people (Yunnan Province, China is a member of the group). The project is based on overlapping infrastructure grids for road, rail, air links, communications, power supply, river navigation and flood control. ADB Director General Rajat Nag described it thus: "We want to have the whole region connected by quality physical infrastructure and everything else that goes with it. In the next 10 years, we want to see the physical infrastructure network all in place. We will help all these countries to build an enabling environment for growth."

Requirements for the next three years are \$2 billion, and unfortunately, much of the funding is contingent on "private-sector" investment. Nag adds: "These countries are extremely pragmatic. They say, let's focus on the do-able. And let's get on with it."

New Era in Vietnamese-French Relations

For the first time since Vietnam's national hero Ho Chi Minh travelled to Paris in 1946, a President of Vietnam will return to the French capital for a state visit. President Tran Duc Luong is making a four-day visit to Paris starting Nov. 4, accompanied by Foreign Minister Nguyen Dy Nien, Trade Minister Truong Dinh Tuyen, and other senior officials and a group of Vietnamese businessmen. Subjects for discussion include bilateral economic and trade relations, and efforts to

promote regional dialogue between Asia and Europe. Also on the table is Vietnam Airlines' purchase of five A-321 Airbus planes for \$213 million, and the sensitive issue of adoptions of Vietnamese children. Two weeks ago, Vietnam's population hit the 80 million, compared to France's 59.4 million.

Currently, France is Vietnam's most important European trading partner, with trade of \$1.07 billion in 2001, but it is only the sixth-largest investor in Vietnam at \$2 billion. France is second to Japan in foreign aid to Hanoi.

S&P Announces Philippines 'Has Temporarily Lost Control Over Public Finances'

On Oct. 30, a public announcement was issued by David Beers of Standard & Poor's rating agency, in a Hong Kong press conference, to the effect that S&P had lowered its outlook on the Philippines credit rating from "stable" to "negative." While the action appears to have some basis, it must be seen in a broader context, as part of the escalating attack on the Southeast Asian economies since the Oct. 12 Bali bombing. (See this week's INDEPTH for analysis of both the terrorist threats in the Philippines and Indonesia, and how the situations are being used by Anglo-American interests to target these nations.)

The Philippine deficit is soaring past the 4% of GDP targetted in the budget, and government debt has leapt upward. The government will now have to pay even higher interest rates for its borrowing. S&P lowered only the "outlook," not the actual credit ratings, but these may follow soon. With equity and currency values already falling severely, this could push them over the edge.

AFRICA NEWS DIGEST

South Africa and Iraq Pursue Trade Relations

South Africa's Deputy Minister of Foreign Affairs Aziz Pahad, the Mbeki government's point-man for the Middle East, visited Baghdad to open the South African stand at the Annual Baghdad International Trade Fair that began Nov. 1. More than 15 South African companies are also participating in the fair. Dr. Imtiaz Suleiman, the National Coordinator of the "Gift of the Givers' Foundation," will accompany Pahad to assess the humanitarian needs of Iraq in planning another consignment of medical and other supplies to Iraq in January.

While in Iraq, Pahad was to deliver a letter from South Africa's President Thabo Mbeki to President Saddam Hussein, and hold bilateral meetings with members of the Iraqi government. There has been an increase in South African trade with Iraq over the last year (over Rand 400 million during the year May 31, 2001 to June 1, 2002). New contracts have been signed for the remainder of the year. The products to be exported to Iraq from South Africa include instant milk powder, cooking salt, steel bars, and industrial steel.

In departing for Iraq, Pahad said: "The South African government is still gravely concerned with the extent of the humanitarian crisis confronting the people of Iraq and is determined to contribute whatever it can to prevent an armed conflict which can only result in the further deterioration of the Iraqi infrastructure, distribution network, health services and general level of well-being of the people."

International Court Ruling Creates Nigeria/Cameroun Crisis

There is now a danger of war between Nigeria and Cameroun over the Bakassi Peninsula, following the Oct. 10 decision by the International Court of Justice (ICJ) at The Hague in the Netherlands, that the Bakassi Peninsula belongs to Cameroun. The peninsula, which projects into the ocean from Cameroun at its border with Nigeria, is now believed to be rich in oil. Its

population is overwhelmingly Nigerian (English-speaking) and it has Nigerian administrative institutions. The historical-legal case in favor of French-speaking Cameroun is not trivial.

A Nigerian government statement Oct. 23— following a Cabinet meeting— announced "that Nigeria would not comply with a court order to withdraw its military or officials," according to *Reuters* Oct. 24. An unnamed senior aide to President Olusegun Obasanjo explained that this simply meant that Nigeria would maintain the status quo while further diplomatic discussions are pursued, *Reuters* said. But Cameroun says it is not interested in negotiating with Nigeria, according to Nigeria's *Weekly Trust* Oct. 25.

Some observers commented that the reaction in Nigeria to the decision of the International Court appears to be roughly what one might expect from Americans if Hawaii were declared to be part of the Philippines.

Mbeki Denounces 'Terrorist Campaign' as Nine Bombings Target Soweto

In the wake of the explosion of nine bombs in South Africa's largest township, Soweto, during the night of Oct. 29, President Mbeki told reporters "these are criminal actions that seek to introduce a terrorist campaign in the country." He added that those responsible intend to "conduct a campaign of this type to destabilize the country and create a political climate that would enable them to take ... actions for the removal of the government and the installation of some other government."

The bombings are the most coordinated terrorist hit on South Africa since the government came to power in 1994, and occurred in a tight span of time beginning at about midnight. At that time, three explosions occurred at a bridge at New Canada railway station, causing extensive damage to the railway line in South Africa's biggest black township. At 12:20 a.m., a bomb ripped through a mosque in Dlamini, Soweto. At 3:15 a.m., there was an explosion at the Midway railway station. Another bomb blast has cut railway lines between Soweto and Johannesburg. Another bombing was averted by police, when at about 11:30 p.m. on Tuesday, police followed tips about two "suspicious" white men near a filling station. Police there found a bomb wired to a clock which they managed to defuse. The same night, another bomb exploded at a Buddhist temple at Bronkhorstspuit, east of Pretoria, but police are still investigating whether it is linked to the Soweto wave.

The government has widened the investigation to include suspects with military background and expertise, especially in explosives. News media are reporting suspicions that Afrikaner rightwingers are involved in the extensive bombings, but no concrete evidence has yet emerged.

However, concern about rightwing activations is reportedly rising, as reported in the Johannesburg *Business Day*, on Oct. 31 in an article called "There Is More to Right Wing Than Bluster." It reports on the meeting last month between former South African President Nelson Mandela and Pieter Mulder, leader of the Freedom Front (FF) group. The meeting was sparked by the arrest of a Limpopo doctor, Johan Pretorius, in connection with an alleged plot to overthrow the government. According to *Business Day*, tension between Mandela and Mulder was a detectable undercurrent at the meeting. Mulder described an alleged plan by the right wing to overthrow the government not as heinous but as "unrealistic," and claimed that he himself had been threatened by certain rightwing elements. "They say we are traitors," Mulder said.

However, it cannot be excluded that such a terrorist wave is an attempt to destabilize South Africa for having played a leading role in opposition to war designs against Iraq.

U.S. CENTCOM Sends Additional Forces to Horn of Africa

U.S. CENTCOM Commander Gen. Tommy Franks admitted sending 700-800 additional forces to Djibouti, in the Horn of Africa, at a Pentagon press briefing on Oct. 29. *EIW* has been reporting an extensive buildup of U.S. military deployments in the Middle East, Persian Gulf, and East Africa as part of a pre-placement for war against Iraq. However, Franks says the Djibouti troops are just an extension of the "war on terrorism."

Franks said, "We said a long time ago, first off we're going to rout the terrorists out of Afghanistan and get rid of the Taliban. We also said that there were going to be some friendly nations and we're going to want to work with them in order to help them help themselves get over the terrorist problem. And we also said it may be necessary from time to time to coerce others to get rid of the terrorist problem." He said the U.S. had "security relationships or engagement opportunities" in countries such as Kenya, Eritrea, Ethiopia, Djibouti, and Yemen. "And so, having that force there gives us the ability to increase our exercise work with all those nations."

Franks stressed that the troops in question were not based in Eritrea, despite speculation that the U.S. is eyeing the Red Sea port of Assab. "No, they're ... not based in Eritrea. Some are ashore and some are afloat. We have an afloat command and control capability that we move around, and so one may well see that afloat capability."

Mbeki and De Klerk Meeting

South Africa's President Thabo Mbeki and its former President, F.W. De Klerk, met Oct. 25-26 in what were described as constructive "nation-building" talks. Mbeki was accompanied by a quarter of his Cabinet ministers, while De Klerk brought a group of largely Afrikaner community leaders assembled under the aegis of his De Klerk Foundation.

Although it had been agreed that the talks were "essentially private," they dealt with nation-building, problem areas in relationships between different communities, and mobilizing South Africans to solve the challenges facing the country. The group assembled under the De Klerk Foundation included Barlowrand chairman Warren Clewlow, Stellenbosch University chancellor Elise Botha, educationist Clive Roos, Niel van Heerden of the Dutch Reformed Church, and Afrikanerbond chairman Francois Venter. There was a similar meeting last March.

Nigerian Labour Congress Blocking Port Privatization

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Oshiomhole continued, "The Managing Director of NPA has said it himself, that NPA does not receive any subvention from the government and has been sustaining itself, as well as generating billions of naira into the government purse yearly. It is that money the ports are generating that they are interested in."

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Will the same considerations that dictated "Western policy in such diverse places as the Balkans, South Africa, Rwanda and the Middle East, be evident in the response to the growing HIV crisis in Asia, given its economic and security importance? And if they do, will the West's crumbling moral posturing be dealt a mortal blow?" Kimani is forthright that the advanced sector is quite willing "to sit back and let them [Africans] die like flies from HIV/AIDS," as the West was also willing to see a million people die in Rwanda.

The author says, "The answers to these questions are pertinent not only in the context of a medical crisis but because they could help put other past and future regional and global crises and challenges, including the impending showdown in Iraq, in their proper perspective." With respect to the AIDS epidemic, the author notes that "the West has watched impassively as millions of Africans have died from what is essentially now a manageable condition."

AFRICA NEWS DIGEST

South Africa and Iraq Pursue Trade Relations

South Africa's Deputy Minister of Foreign Affairs Aziz Pahad, the Mbeki government's point-man for the Middle East, visited Baghdad to open the South African stand at the Annual Baghdad International Trade Fair that began Nov. 1. More than 15 South African companies are also participating in the fair. Dr. Imtiaz Suleiman, the National Coordinator of the "Gift of the Givers' Foundation," will accompany Pahad to assess the humanitarian needs of Iraq in planning another consignment of medical and other supplies to Iraq in January.

While in Iraq, Pahad was to deliver a letter from South Africa's President Thabo Mbeki to President Saddam Hussein, and hold bilateral meetings with members of the Iraqi government. There has been an increase in South African trade with Iraq over the last year (over Rand 400 million during the year May 31, 2001 to June 1, 2002). New contracts have been signed for the remainder of the year. The products to be exported to Iraq from South Africa include instant milk powder, cooking salt, steel bars, and industrial steel.

In departing for Iraq, Pahad said: "The South African government is still gravely concerned with the extent of the humanitarian crisis confronting the people of Iraq and is determined to contribute whatever it can to prevent an armed conflict which can only result in the further deterioration of the Iraqi infrastructure, distribution network, health services and general level of well-being of the people."

International Court Ruling Creates Nigeria/Cameroun Crisis

There is now a danger of war between Nigeria and Cameroun over the Bakassi Peninsula, following the Oct. 10 decision by the International Court of Justice (ICJ) at The Hague in the Netherlands, that the Bakassi Peninsula belongs to Cameroun. The peninsula, which projects into the ocean from Cameroun at its border with Nigeria, is now believed to be rich in oil. Its population is overwhelmingly Nigerian (English-speaking) and it has Nigerian administrative institutions. The historical-legal case in favor of French-speaking Cameroun is not trivial.

A Nigerian government statement Oct. 23— following a Cabinet meeting— announced "that Nigeria would not comply with a court order to withdraw its military or officials," according to *Reuters* Oct. 24. An unnamed senior aide to President Olusegun Obasanjo explained that this simply meant that Nigeria would maintain the status quo while further diplomatic discussions are pursued, *Reuters* said. But Cameroun says it is not interested in negotiating with Nigeria, according to Nigeria's *Weekly Trust* Oct. 25.

Some observers commented that the reaction in Nigeria to the decision of the International Court appears to be roughly

what one might expect from Americans if Hawaii were declared to be part of the Philippines.

Mbeki Denounces 'Terrorist Campaign' as Nine Bombings Target Soweto

In the wake of the explosion of nine bombs in South Africa's largest township, Soweto, during the night of Oct. 29, President Mbeki told reporters "these are criminal actions that seek to introduce a terrorist campaign in the country." He added that those responsible intend to "conduct a campaign of this type to destabilize the country and create a political climate that would enable them to take ... actions for the removal of the government and the installation of some other government."

The bombings are the most coordinated terrorist hit on South Africa since the government came to power in 1994, and occurred in a tight span of time beginning at about midnight. At that time, three explosions occurred at a bridge at New Canada railway station, causing extensive damage to the railway line in South Africa's biggest black township. At 12:20 a.m., a bomb ripped through a mosque in Dlamini, Soweto. At 3:15 a.m., there was an explosion at the Midway railway station. Another bomb blast has cut railway lines between Soweto and Johannesburg. Another bombing was averted by police, when at about 11:30 p.m. on Tuesday, police followed tips about two "suspicious" white men near a filling station. Police there found a bomb wired to a clock which they managed to defuse. The same night, another bomb exploded at a Buddhist temple at Bronkhorstspuit, east of Pretoria, but police are still investigating whether it is linked to the Soweto wave.

The government has widened the investigation to include suspects with military background and expertise, especially in explosives. News media are reporting suspicions that Afrikaner rightwingers are involved in the extensive bombings, but no concrete evidence has yet emerged.

However, concern about rightwing activations is reportedly rising, as reported in the Johannesburg *Business Day*, on Oct. 31 in an article called "There Is More to Right Wing Than Bluster." It reports on the meeting last month between former South African President Nelson Mandela and Pieter Mulder, leader of the Freedom Front (FF) group. The meeting was sparked by the arrest of a Limpopo doctor, Johan Pretorius, in connection with an alleged plot to overthrow the government. According to *Business Day*, tension between Mandela and Mulder was a detectable undercurrent at the meeting. Mulder described an alleged plan by the right wing to overthrow the government not as heinous but as "unrealistic," and claimed that he himself had been threatened by certain rightwing elements. "They say we are traitors," Mulder said.

However, it cannot be excluded that such a terrorist wave is an attempt to destabilize South Africa for having played a leading role in opposition to war designs against Iraq.

U.S. CENTCOM Sends Additional Forces to Horn of Africa

U.S. CENTCOM Commander Gen. Tommy Franks admitted sending 700-800 additional forces to Djibouti, in the Horn of Africa, at a Pentagon press briefing on Oct. 29. *EIW* has been reporting an extensive buildup of U.S. military deployments in the Middle East, Persian Gulf, and East Africa as part of a pre-placement for war against Iraq. However, Franks says the Djibouti troops are just an extension of the "war on terrorism."

Franks said, "We said a long time ago, first off we're going to rout the terrorists out of Afghanistan and get rid of the Taliban. We also said that there were going to be some friendly nations and we're going to want to work with them in order to help them help themselves get over the terrorist problem. And we also said it may be necessary from time to time to coerce others to get rid of the terrorist problem." He said the U.S. had "security relationships or engagement opportunities" in countries such as Kenya, Eritrea, Ethiopia, Djibouti, and Yemen. "And so, having that force there gives us the ability to

increase our exercise work with all those nations."

Franks stressed that the troops in question were not based in Eritrea, despite speculation that the U.S. is eyeing the Red Sea port of Assab. "No, they're ... not based in Eritrea. Some are ashore and some are afloat. We have an afloat command and control capability that we move around, and so one may well see that afloat capability."

Mbeki and De Klerk Meeting

South Africa's President Thabo Mbeki and its former President, F.W. De Klerk, met Oct. 25-26 in what were described as constructive "nation-building" talks. Mbeki was accompanied by a quarter of his Cabinet ministers, while De Klerk brought a group of largely Afrikaner community leaders assembled under the aegis of his De Klerk Foundation.

Although it had been agreed that the talks were "essentially private," they dealt with nation-building, problem areas in relationships between different communities, and mobilizing South Africans to solve the challenges facing the country. The group assembled under the De Klerk Foundation included Barlowrand chairman Warren Clewlow, Stellenbosch University chancellor Elise Botha, educationist Clive Roos, Niel van Heerden of the Dutch Reformed Church, and Afrikanerbond chairman Francois Venter. There was a similar meeting last March.

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This Week in History

November 4-10, 1933

Of all the highly significant events in recent history that occurred during early November— from the election of Abraham Lincoln in 1860, to the Nazis' 1938 Kristallnacht assault on Jews and Jewish institutions in Germany, to the 1989 fall of the Berlin Wall, and the assassination of Israeli Prime Minister Yitzhak Rabin in 1995— we have chosen to highlight the one which provides the most immediate lesson for the current period: the launching of the Civil Works Administration (CWA) by President Franklin Delano Roosevelt.

President Roosevelt signed the Executive Order establishing this jobs program on Nov. 8, 1933, upon the instigation of Harry Hopkins, who was already the head of the Federal Emergency Relief Administration (FERA). But, whereas FERA was limited to providing relief in the form of handouts to those who could prove their indigence, the CWA was devoted to creating *jobs* that paid wages, and stimulated the productive economy as well. Hopkins was designated the head of the new program.

For those who are looking for what Lyndon LaRouche means by a Roosevelt-style public-works program, the CWA provides a useful, but by no means strictly imitable, example.

First of all, the CWA was established as a clear, and unbureaucratic, response to an emergency, the fact that the onset of the winter of 1933-34 was likely to bring a level of privation, including starvation, that would devastate the country. The Public Works Administration (PWA), which had been established by the passage of the National Recovery Act, and had the mandate to carry out substantial public works in the area of infrastructure, was moving at a snail's pace, and not showing significant results in the job market. And the private sector was still collapsed.

Secondly, the CWA was a fully Federal program, in which those employed were Federal employees. The provisions called for one-half of the jobs to go to those who were on relief (today's welfare), and the other half to anyone else who needed work. In both cases, this meant a considerable upgrading of conditions. Those who came from relief now received wages at minimum wage, rather than charity— an increase from \$6.50 to \$15.00 a week. The other workers did not have to submit to a "means test," (proving you have absolutely no assets) in order to get an income.

It is also of interest to note that Hopkins was thus able to set conditions on providing the jobs, including that black and white workers get equal wages. While many of the Southern states did all they could to get around this, the principle was established.

Thirdly, the CWA employed millions of people, fast. Operating initially with monies from the PWA, Hopkins set out the objective of creating 4 million jobs by Dec. 15, about one month after the establishment of the program. While he only reached 2.6 million by that date, he had employed a small army of 4.2 million by the middle of January.

This aspect of the CWA is distinct from what you would want from a public works program today. In concept, a massive public-works program should be directed to the completion of necessary projects, particularly substantial infrastructure, with employment as a byproduct, rather than the other way around. But, for the limited purpose of saving lives, it worked.

The CWA employment program, conceived as temporary aid to prevent social disaster during the winter, operated under enormous constraints, in terms of the projects it was given. The major purpose was to put income into people's pockets, and 80% of the monies went to salaries, out of the approximately \$1 billion spent. In fact, political pressures forced Roosevelt

to discontinue the program by April of 1934.

Yet, Hopkins was able to put people to work carrying out useful work, particularly in the areas of infrastructure. This was negotiated, in part, because the PWA had been so slow in carrying out its mandate. The CWA was allowed to pick up projects in the area of sewer treatment, waterworks, and bridge projects, which the PWA had not begun. Overall, 180,000 projects were completed.

More broadly, the CWA spending was dispersed as follows. One-third went to road and highway projects. The second-largest area of concentration was schools; 40,000 were either built or improved, and 50,000 teachers were employed to aid in adult and other education. In addition, 1,000 airports were either built or improved, 3,500 playgrounds built, and a multitude of other projects—including artistic and scholarly ones—were initiated.

Many of these projects produced infrastructure we still rely on today. There is no question but that a public works approach is going to be required, to repair, upgrade, and advance that infrastructure.

InDepth Coverage...Links to articles from *Executive Intelligence Review**

*Requires Adobe Reader®

Feature:

Why Hiroshima Was Bombed: The 'Utopians' Duped a Nation

'The United States decision to drop the atom bomb on Hiroshima and Nagasaki saved over one million American lives which would have been sacrificed by an invasion of Japan.'

How often has this claim been restated whenever that horrendous event is mentioned on TV or in newspapers. And yet, it remains to this day a total fiction.

Economics:

'Guadalajara Forum' for New Economic Order Holds First Meeting in Argentina

For the first time on Oct. 18-19, a meeting of the 'Guadalajara Forum' for South American economic integration and a New Bretton Woods monetary system, was held in economically devastated Argentina.

Economic Cooperation Is on Eurasian Agenda

The sudden announcement by the United States on Oct. 16, that the Democratic People's Republic of Korea had 'admitted' to a nuclear weapons program, had much to do with relations between Europe and Asia, as well as U.S.-Asian relations.

LaRouche: Infrastructure Gives Nature A 'Helping Hand' Against Drought

As of October, more than half of all American counties—1,650 out of a total of 3,141 in the nation—have been officially designated as economic/weather 'disaster areas' by the Federal government, mostly due to drought.

Germany Waits for A New Economic Policy

On Oct. 29, German Chancellor Gerhard Schroöder presented his re-elected government's platform for the next four-year term, in an address to the national Parliament. Against the background of his own, publicly stated doubts about the European Union's Maastricht budgeting criteria (see last week's EIR), it was not unrealistic to expect that in his government declaration, Schroöder would reveal some details of an alternate policy.

1956 Highway Act Broke Down U.S. Transport

The United States set the stage for compromising the integrity of its entire transport network when it decided to pour huge sums into the U.S. Interstate highway system, by passing the Interstate and Defense Highways Act of 1956...

Robert Moses enemy of railroads

Born in New York City in 1888, Robert Moses attended Yale and then Oxford University, where in 1913 he wrote a doctoral thesis on the British Civil Service. He praised it as the means by which the 'upper division'—by which he meant the wealthier men drawn from the 'best' schools—ruled.

International:

Brazil's Lula Caught Between The Nation and Free Trade

- Russia's Putin Pulls Victory Out of Strategic Attack

An attempted strategic assault against President Vladimir Putin and Russia's global role in a potential alternative to the Bush Administration's war policy, has backfired, leaving Russia strengthened.

- New Iran-Contra War In the Philippines?

A recent series of bombings in the Philippines—both in the volatile province of Mindanao in the South, and in the capital, Manila—in the wake of the Oct. 12 bomb which killed nearly 200 in Bali, Indonesia, has thrust the country into a new financial and strategic crisis.

- Anti-Terror Operations Terrorize Indonesia and Southeast Asia

While more than 100 official investigators from around the world have converged on the island of Bali in Indonesia, there is still no determination of who was responsible for the bomb which killed nearly 200 tourists and workers there on Oct. 12.

- A New Momentum Seen In Diplomacy of France

French diplomacy has been unfolding in a rather unexpected way since the re-election of President Jacques Chirac in May.

- Unilateralist U.S. Fuels China-India-Russia Ties

In December 1998, Russian Prime Minister Yevgeni Primakov, while visiting India, proposed a trilateral axis against a U.S.-centered, unipolar world. It is evident that although almost four years have passed since, the idea is alive and gaining ground among the leaders of all three nations.

- Israel: Sharon's Unity Government Splits

The collapse of the national unity government of Prime Minister Ariel Sharon on Oct. 30 brings the question of early Israeli elections and the very real possibility of the return of Benjamin Netanyahu back into the office of Prime Minister. With Netanyahu back in the saddle, seamless Israeli cooperation with the Utopian war party in Washington would be certain. As of this writing the situation continues to be fluid.

National:

Bush Shows Signs of Serious Mental Strain at APEC Summit

- Bush Offers APEC Worse Than Nothing

Despite its name, Asia-Pacific Economic Cooperation, the APEC heads of state summit in Los Cabos, Mexico on Oct. 23-26 was preoccupied with terrorism, while President Bush ignored the pleas for serious discussion of the global economic crisis and its impact in Asia.

- 'Chicken-hawks' Create Own 'CIA' in Pentagon

As part of their effort to drag the United States into civilizational warfare in the Middle East, the Rumsfeld-Wolfowitz Cabal has created its own intelligence and covert-operations units to by-pass U.S. intelligence agencies.

- [Euro-Trilateral Center Stage Grabbed by Perle](#)

The European branch of the Trilateral Commission held its annual meeting in Prague, the capital of the Czech Republic, over the Oct. 18-20 weekend; it was the first time the Commission had ever gathered in that city...[i]ts deliberations deserve attention.

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