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THIS WEEK YOU NEED TO KNOW

We Are Now at a Turning-Point in History

Lyndon LaRouche gave this presentation to an overflow audience of more than 300 people, in Washington, D.C., on July 2; it was simultaneously broadcast over the Internet. A dialogue of more than three hours with those present, and those listening around the world, followed. The complete four-hour event is available on LaRouche's website, larouchein2004.com.

When I rose this morning at about five o'clock, I had some messages from Europe, plus my usual overnight briefing, and I was reminded that today is a turning-point in world history. First of all, 140 years ago, the fate of the United States was being decided on the battlefield of Gettysburg, on the same date.

Today, or this week, starting Monday, there's a change in the policies of Europe, which will be a change in world policy. And, whether they know it in Washington, or not, it will be a confrontation with the government in Washington, now. The assumption of the position of leader, for the coming six months of the European Union, by the Prime Minister of Italy, Silvio Berlusconi, and his address which he delivered yesterday, defines a change in the world economic and financial situation, a policy change.

As a result of efforts, which I've been involved in, in Italy and elsewhere, including votes taken by a majority of the Chamber of Deputies of Italy, resolutions coming out of the Senate of Italy, and other things in other parts of the world, and with the initiative of the Minister of Economy and Finance of Italy, Giulio Tremonti, there was presented to the European Union yesterday, by the Prime Minister of Italy, a proposal for the implementation of a large-scale infrastructure program for Europe, as a recovery program, based on what is called the European Investment Bank.

This European Investment Bank will do what many people in many states in the United States wish would happen, under the present economic conditions: And that is, large-scale infrastructure programs, in necessary infrastructure, as in transportation, power, and so forth—water management—in order to stimulate employment on long-term projects financed through the European Investment Bank, which will be outside the monetarist control of the European Maastricht agreements, the so-called Stability Pact agreements.

Now, there'll be a fight about that. Delors, a former minister of France, spoke on this; others spoke on this. This is going.

Not only is this happening, but at the same time, in Asia, especially as result of the recent visit by the Prime Minister of India to China, on an official state visit, there will be an acceleration in infrastructure-building programs throughout Asia: That is, large-scale programs in China are already under way. New programs are being negotiated; major projects, India and China; Southeast Asia, the Mekong development project is a major project under way. There are large-scale projects which will involve Europe, as well as Asia. And this means that Asia is committed to a program of recovery, which is not entirely unlike what Franklin Roosevelt did, from 1933 on, from his inauguration as President. That is happening in Europe. It is not adequate, of course. But, it shows the sign of the times.

Similarly, in the United States, despite the government in Washington, despite a lunatic Alan Greenspan, throughout this country, the states of the United States know they're bankrupt. Forty-six, at least, of the fifty states are in a virtual state of bankruptcy: They can not raise the taxes, to balance their budgets! And, if they don't, something is going to collapse inside the state economy. Some states are moving with small-scale infrastructure proposals, in that direction. But, there is no Federal support for it.

So therefore, under these conditions, and with the imminent total collapse of the present world monetary-financial system—to which I'll refer a little bit later—this means we're at a turning-point in world history, comparable to the crisis periods of the 1930s, but much more severe.

The U.S. Today, and Under FDR

Now, what I shall address today, are several points, which are interrelated. First of all, I wish to make clear, the similarities and differences, between the problems faced by the United States with the inauguration of President Franklin Roosevelt during the 1930s, and today. That, then as now, the world is dominated by the imminent, general collapse of the existing world financial system. Then, it was the Versailles financial system which was collapsing. Today, it is the floating-exchange-rate monetary system, established between 1971 and 1972. Nothing can prevent these systems, in their present form, from collapsing.

The collapse is more or less immediate. And what Alan Greenspan is doing, is actually criminal. That is, what Alan Greenspan is doing right now: He's got a hyperinflationary drop of the discount rate. This hyperinflation is a trap, to lure suckers into financial markets, for one last go. Soon, one of these bubbles, or more of these bubbles, will blow out. Credit derivatives bubbles; mortgage-based securities bubbles; similar kinds of bubbles will blow. At that point, the present plan is, to run the interest discount rate up to, say, 6, 7, or 10%; which means, that all of those suckers, who have expressed their confidence in the present financial market, will be looted.

We will have businesses collapse. State governments collapse, *everything* collapse, if Alan Greenspan and his crowd have their way. I know what they're up to.

So therefore, this is the kind of situation we face.

We also, of course, as you know, are involved in wars. How did this come about? Compare the two periods: Compare what Roosevelt faced, and what we face today. Then, we had a crisis, a threat of fascism in Europe. There was a conspiracy by a group called the Synarchists, which is a front group for a group of bankers, to establish a fascist dictatorship—a so-called Synarchist dictatorship—involving France, Italy, Germany, Spain, and also the United Kingdom.

At that time, to prevent this from being consolidated, President Franklin Roosevelt had discussions with Winston Churchill, who later became Prime Minister, or was becoming Prime Minister, in this period, to try to prevent those inside the United Kingdom, who intended to cooperate with Hitler, with fascists in France, with the Franco regime, with the Mussolini regime, and with the Hitler regime, especially with Göring. To establish a coalition which would take over Eurasia, and, with the cooperation of the British Navy, challenge the United States and conquer it.

Under those conditions, there developed a cooperation among two gentlemen who didn't like each other at all: Winston Churchill and Franklin Roosevelt. But they recognized, they had to have a coalition of forces to prevent this catastrophe from occurring. Churchill had communicated to Roosevelt, his intention and commitment to take the British Navy to Canada, if England were overrun. It didn't happen. But Roosevelt treated the commitment as serious. And, the United

States' policy was oriented in that direction. We stopped it.

But, at a later period, we had a similar situation: We've had, in the recent period, we've had something like the Versailles system, or worse: the floating-exchange-rate monetary system, which is now disintegrating. This system has inspired some people, like the fascists, the Synarchists of the late 1920s and 1930s, who launched the Hitler effort, to launch a similar effort inside the United States. The effort is centered on those we call the "neo-conservatives." Not only the neo-conservatives inside the Republican Party, gathered around Dick Cheney, the Vice President; but the neo-conservatives, also, who are their buddies, inside the Democratic Leadership Council, and those corresponding sections of the Democratic National Committee.

The Democrats Were 'Neutralized'

The reason we went to a war in Iraq, was because the Democratic Party was neutralized, by the belief, that Cheney had the evidence, that Iraq was getting nuclear weapons. Cheney *knew* there were no such nuclear weapons. Cheney *knew* the story about Niger "yellow cake" going to Iraq was a fraud. And yet, with that knowledge, he *pushed* that argument, in order to convince the Congress to subsidize, and to allow the war to go ahead.

The Democratic members of the Senate, who should have stopped the war, *did not do it!* They consented to it. We're now in a war, which is a mess, for which there is no solution. The President of the United States is talking about a long period of occupation, which we can ill-afford. There's also the threat of a war against Iran, spreading around the world: Because the Democratic leadership in the Congress did not have the honesty and guts to exercise their Constitutional responsibility to prevent this war from occurring! And when they squawk about the war, or squawk about the issues, they're committing a fraud: They didn't stop it when they could have. No one moved against Cheney on his fraud. They all talked about how bad the President was.

You can't impeach this President! You can't convince him of *intent!* He's not smart enough to know what his intent is! You want to stop the war? Get *Cheney* out! Any serious person knows that. And if Cheney goes, Rumsfeld will go, his so-called "Chickenhawks" will go, and we will have a new opportunity to rescramble and reconfigure our national policies.

The point is, this is fascism. What Cheney represents—or, I think—Cheney's a dummy; I think his wife is a ventriloquist. She's the smart one in the family. What Cheney represents is the same kind of threat that Adolf Hitler represented in 1933-34, and beyond. If we don't stop it *now*, we'll find out what happened in Germany, as our own experience, *now*. And therefore, that's the issue on the table.

The issue right now, is *not* who is going to win the November 2004 elections; not who is going to be President in 2005. The issue is: *Are we going to get to that point*, without going to Hell, instead. We have to change the politics of the United States, *now*, on two points. As Roosevelt did then, in a much more serious situation now, we have to deal with the economic crisis, which is destroying our people and threatening the world. We have to deal with the war threat, which can take us down the road, that took Germany under Hitler—or something worse. These are the two questions, which we must deal with *this year*, not next year, not ten months from now, not five months from now. *Now!*

And therefore, we have to change the Democratic Party, at the top, *by getting the present right-wing gang out of control of the Democratic Party!* If we don't, and those candidates who will not do that, *ain't worth shucks.*

Let's take the case, for example: There's only one of these nine, who are my putative rivals, who are worth mentioning: And that is Senator Kerry. The others are not necessarily bad people, but they do not represent a serious proposition of contention for the nomination for the Presidency. Kerry does, in a sense. He has certain points in his favor. Unfortunately,

so far, Senator Kerry has played the role of Hamlet.

The 'Hamlet' Problem in American Politics

Now, let me just go through this issue of Hamlet, because it's a typical problem in American politics. We have a lot of Hamlets in politics. I used to accuse Bill Clinton, whom I liked and I still do, of playing the part of Hamlet. Now, as we know, Senator Kerry, has a rather distinguished war record. He's not a coward. Neither was Hamlet. Hamlet was a swordsman. When his father was murdered, he was out slaughtering Poles! A swordsman, and a professional soldier: He ran his sword through a curtain, without even knowing who was standing behind it, and killed poor Polonius. He was a warrior. But, as he says, in this Third Act soliloquy of his, after going through the threats to Denmark, his kingdom at that time, and saying, "But thus, when we shuffle off this mortal coil, what becomes of us?" What happens to us after death? *This thought*, he says, makes cowards of us all. It doesn't make a coward of me; but it made a coward of Hamlet.

And, in a sense, it made a coward of Senator Kerry. When he had a chance to speak out and say who was responsible for the fraud of the Iraq War, when he could have said "Cheney," he didn't. He pointed at that poor President, who can not be convicted of intent, George Bush. What do you want to do: Get rid of poor George Bush, and get Cheney as President? Do you want to get the fool out, in order to get the devil in? Not good politics. That's the kind of situation we face.

The economic situation is similar. We face an immediate crisis. Now, some people say, "Europe's a problem. Asia's a problem. Those guys overseas. They're the problem." They're not the problem! They are *a* problem. I know them better than you do. I deal with them. I have been dealing with them. Many of them are my friends, or many of them I talk to. I spend a good deal of my time overseas, or dealing otherwise with leading circles in foreign countries. What any decent Presidential candidate of the United States would do!

Because the main business of the United States, as a world power, is to account for our dealings with foreign nations: to the south of our border; Africa; Eurasia; dealing with China; dealing with the Korea situation; dealing with Japan crisis; dealing with India; dealing with Russia; dealing with Western Europe. Where are our politicians, on these questions? Nowhere. They're sitting here talking about how good they're going to be—saying nothing.

Now, I've been dealing with that.

Now, what's the situation? We have, presently, the most important and largest-scale program of economic expansion ever dreamed of in human history, now beginning, in Eurasia. China, for example: the largest water projects in history; Southeast Asia and China, the Mekong project, one of the largest water projects in history; China is launching one of the largest railroad-building projects in history; India's now in discussion with China on one of the largest water projects in the world, the Brahmaputra power project, on the borders of Tibet and Assam.

Europe knows that it's bankrupt, unless it can export to Asia. The biggest export market for Germany, is China. The next largest export market for Germany is India. The survival of Western European economies depends upon increasing their output, largely through export and trade, and chiefly to Southeast Asia.

Africa is subject to genocide: Without a recovery, in the Americas and without a recovery in Eurasia, it will be impossible to reverse the genocide which is going on in Africa.

These are the kinds of things which confront us, which should confront a President.

The System Is Bankrupt

The problem today, is, that everyone is afraid to take on the IMF directly. In the case of the recent meetings which occurred in Europe this week, with Berlusconi addressing the European Parliament in his new position [as President of the European Union], the problem is: Are these fellows willing to move on good projects, like many states are willing to move ahead with proposing good projects, of infrastructure-building, under present condition? I think about seven of these states have significant projects they're now discussing. They're not willing to bite the bullet on the big question. The point is, the present world monetary and financial system is hopelessly bankrupt. There's no way, by small reforms, within the present world financial-monetary system, that this world economic can continue to function.

This world banking system is bankrupt! The leading banks of the United States are bankrupt! Now, that means that the Federal Reserve System is bankrupt! We have a similar situation in the banks of Europe, with very few exceptions: They're bankrupt. Outside of China, pretty much, the banking systems of the world's banks are bankrupt. That means the IMF is bankrupt! It means the World Bank is essentially bankrupt! And it's bankrupt, because its policies have been bankrupt since 1971-1972.

Now, what do we do, under these conditions? There's no way we can pay off the world's debts. There's no way we can reschedule the world's debts and manage them. It can't happen. *Much of this debt, has to be wiped off the books.* Without that, there's no recovery.

What do we do? We do two things. First of all, we say that the fundamental obligation of government is the general welfare of its people, both the present generations and posterity. The fundamental responsibility of government, is to accomplish this in a sovereign way: to use the sovereignty of government, and the sovereign powers of government, to protect and promote the general welfare, and the welfare of posterity. Therefore, when we're faced with a bankruptcy—for example: The local bank or a local firm is going bankrupt, and that institution is essential to that community, we step in with the power of government, and we put that institution into receivership, for *bankruptcy reorganization*. We keep the institution functioning; we work out a program, under which the institution will continue to function, and recover from its diseases and problems. We will write off what we have to write off, in terms of paper, but we will keep these institutions functioning, for the benefit of the general welfare.

We will intervene to take measures to increase employment, as Roosevelt did. And the only place that government can do an effective job, in increasing employment, is in basic economic infrastructure: transportation, water projects, reforestation, power generation and distribution—things we need very much these days. These projects, as Roosevelt used these methods, will work, and have worked in the past. That's what Europe is talking about. That's what many states are thinking about, inside the United States today.

So therefore, to bite the bullet means, with the IMF bankrupt, that the governments of the world, the sovereign nations of the world—which are the *owners of the IMF*, politically—as sovereign powers, must put the IMF into bankruptcy reorganization. They must also prepare to put the banking system of the United States into bankruptcy reorganization. We can not have chaos; we can not have people dying, because of a breakdown of the financial system. We must maintain order. And we must have a recovery program, to meet the needs of present and future generations.

Now, therefore, the big problem before the world, is the fact that, while many governments, including those of Europe today, or groups of nations in Europe today, are willing to proceed on infrastructure projects, which are viable, and needed, they are unwilling so far, to take on the big nut: And, the big nut is: Who is going to reorganize a bankrupt international monetary-financial system?

That is where the United States, which has now been transformed from what it used to be—the greatest productive power

on this planet—into a consumer society, which is a parasite, a predatory parasite, upon the world, and upon its own citizens. That's where the United States becomes crucial: Because of our history, and because of the power we represent, a President of the United States, calling leading nations of the world *now*, to put the IMF into bankruptcy reorganization, for a general world effort at general recovery, will work. That's where the United States is indispensable. And that is the kind of leadership the President of the United States must show.

There are certain things, in our position as a world power, where we should use that power, not to become an empire—we have no business becoming an empire—but the fact that we have great power, great influence, means we must *use* that power, not merely for our own advantage, but for the defense of humanity. Because we can call nations together, to make decisions they were otherwise unwilling or lack the courage to make. The same thing is true in Asia. Great projects are going on in Asia. But taking on the IMF system, putting it through bankruptcy reorganization, which is required, is what they're not prepared to do—without the consent or backing of the United States. And, we need a President of the United States, who will *do* that. We need a candidate for President of the United States, a President in the wings, who will assure them, that that is going to happen. Otherwise we're not going to get through this mess.

Who Are the Synarchists?

Now, let's go back a bit, and say, "Who are these guys, these Synarchists?" And it's literally an organization. Let me just tell you about it. I knew pretty much, back over the '60s and '70s, I knew what this organization was—I knew it descriptively, but I didn't have some of the fine points and details. And, as a by-product of my work with the Reagan Administration, in pushing my project, which was known as SDI, certain papers were declassified, and made available to me through the National Archives. I was told to get over to the National Archives, and pick up these papers which were being declassified, which were there for my edification.

And, this was a collection of papers, dating from the early 1920s, until 1945, on a subject of investigations by, in the United States, U.S. military intelligence, wartime OSS, and also French intelligence—French military intelligence and other branches of French intelligence. And this concerned a group which was listed under the category "Synarchist/Nazi-Communist." This is the group, which was behind the Hitler project, behind the Mussolini project, and so forth. A group which was assembled in that form, in about 1920, at the end of World War I. This is the group.

Now, this group has two levels: It has a political level of agents, and people like Cheney, the followers of Leo Strauss, the so-called neo-conservatives in the United States, today—whether in the Republican Party *or in the leadership of the Democratic Party*. The DLC, for example—are Synarchists, of this category, U.S. official category: "Synarchist/Nazi-Communist," dating from the 1920s, 1930s, 1940s. They still exist.

Behind the people like the Cheneys and so forth, who are the tools of this group, are groups of bankers, financial interests, dating back from the 14th-Century *fondi* of the famous Lombard bankers, that caused the crisis of that period. These small groups of people, faced with a financial crisis, and with great power leverage from behind the scenes, will say, that in a crisis of this type, such as the Versailles system collapse, or the present collapse, that they know that governments, pressed, will tend, under pressure of the people, to take measures which are consistent with the general welfare of the people and the sovereignty of nations. Therefore, they say, "we have to prevent that." And the way to prevent that, is to install a dictatorship, which will control the situation, under those kinds of financial conditions.

That was the case in 1928-1933. That is the case today. Small groups of financier interests—and I know many of them by name, and they're in New York and elsewhere, today—the same groups, that were behind the Hitler campaign then. And these are the groups whom the neo-cons represent.

So the problem is, the issue of this correlation between financial-monetary crisis, and war and fascism, or things like fascism. And every time we get into a crisis, in the 20th Century or now, these groups begin to move in that direction. The idea of setting up a dictatorship and going to war, as a way of controlling a situation, to make sure that governments do not emerge which will make the reforms, which might *hurt* the perceived interests of certain financier groups. And, that's what we face, today.

So, my job is rather simple, at that point: I *do* know what to do. I *do* know who the enemy is. I *do* know what the general remedies are. I *do* have knowledge of what people in various parts of the world are thinking about this. I *do* know what the United States could successfully do, in providing leadership, which is not coming otherwise from the political circles inside the United States. And therefore, my job is to act as if I were President.

And, that's happening. It's happening, with the reception I recently received, for example, in Turkey. Or the reception I have throughout the Arab press. Or, my recent participation at a key conference in Bangalore, India. My meetings in various countries. These are the things I'm discussing with them—these kinds of options.

A Government with a Mission

I am prepared to be President of the United States today—except one problem: I need a government. Now, when I look at these candidates, and I look at other people, I'm looking in a very practical sense, "where's my government?" Now, a government, to me, means several things: It means, obviously, the obvious institutions of government, and we have those institutions. But I'm talking about a team. Remember, when Roosevelt became President in 1933, he went in with a program, called the New Deal, already so-called, and he went in with team. And the first 30 days—not the first 90, or the first 100—but the first 30 days were crucial. What he did in those first 30 days, determined the success of Roosevelt's Administration.

Now, the new government of the United States, must be of that form. It must be a team. I have to have my team. And, there's a second team, I want to talk about, too: the interim team. My team is, picking things like Vice Presidents, key appointees. Appointees who will be selected in the same way that Roosevelt selected his key figures. Each will have a mission. And as a group, they will be a mission-oriented group, to solve the tasks. I'm also looking at people *in* government; I'm looking at people in the military, at other institutions, who I know are trustworthy, and reliable. Trying to find out who they are. And, select them as a team. On the day I walk into the White House, we will go in with a team, prepared to take over, the way Roosevelt did, and solve the problems.

Now, there's a second team that's needed. I'm not President, unfortunately—unfortunately for this nation. What happens if we remove Cheney and the Chickenhawks, the neo-conservatives? Well, we'll have a new situation in the United States. Remember, the people who took over the government, under George Bush, after Sept. 11, are a small group, relatively small—a few hundred people, at most, with a hard core of a few score. This is a rump government, a dictatorship. A *junta* is running a government for a President, who is not really a President. Who operates on the basis of emotions, which are not always pleasant, but the poor fellow does not really know what he's doing. He just knows he wants to be reelected.

And, for example, we want this fellow, who wants to be reelected, to do a job, about Middle East peace. We want Palestinian-Israeli peace, *now*; we need it now; we don't want this thing running out of control. We want to do something about this mess, which Cheney and Rumsfeld made in Iraq: This is a hopeless sinkhole. This is *worse than Vietnam*, in terms of its potential. It's a desert Vietnam. And, it's going to look more and more like that, as the days pass. This was a piece of stupidity beyond belief.

But going back to government: Who is opposed to this war in Vietnam? From what I can tell, most of the retired and serving flag officers of the U.S. Army and Marine Corps; and some in the Navy and Air Force, as well. Everybody of any

competence, then and now, said this was a bummer. Under no conditions should the United States become involved in this war. They not only raised objections, they raised *specific* objections!

For example, to take the case of Iraq: Now, suppose there were a legitimate reason to invade Iraq, which there was not. There was no need to do so; it was not legitimate. No reason for it. But, suppose there were: What would this require? This would require *10 corps, plus*. Ten corps. That is, a couple of heavy divisions in each, with auxiliary troops, including medical—all the rest of the stuff. Because, when you invade a territory, you are responsible, the minute you occupy it, to maintain it, and deal with it! The objective is to come out with a success! It is to come out with a pacification, a successful pacification of the territory you've invaded, *and get out!* The way we tried to in Europe. Move in, and get out.

That means you pre-assign a full corps, to each corps area, which is not merely for the purpose of invasion, but it's for purpose of occupation and *getting out*. You organize the institutions which you find on the ground. You don't try to bust them up, and start from scratch. You organize them, immediately. Find all the local leaders; get, in each case, get things functioning immediately again! Get the fire system functioning, the water system, the food system functioning, the hospital system functioning. *Get things functioning and get out!*

And, our military leaders who criticized this, spoke of this very clearly. They're still speaking about it, and the nonsense still goes on. You have one of my old enemies, an idiot, Bremer, in there as the czar of the country, making a worse mess of the thing, day by day. One idiotic decision after the other.

So therefore, we have, in our existing institutions, in this case, the military institutions—not only those in uniform, but those who are working as civilians, in that division, in the military services—who are competent, and *know how to do the job*. That's part of what we have. We have people who are senior diplomats, retired or serving, who are competent in these kinds of things. Who serve our government. Who are loyal servants of government, who can be called back in, to advise. They're there.

So, if we eliminate a few of these junta characters, who are dominating the government today: Send Cheney back to Wyoming to grow potatoes. Find someplace to dump Rumsfeld. Get these fools out. We have, in government, around this poor President, we have people, in the Executive branch, or who are associated with the Executive branch, who represent all the intelligence and capability needed to do an honest job, and keep things functioning—with some kind of policy directive. If we can shake the Congress back into some kind of shape, especially get the Democratic Party into shape, we'll do fairly well.

You've seen the group around Scowcroft, the old Bush crowd: They've been behaving themselves on this thing, fairly well. You see people like John Dean, and his crowd: They're behaving themselves fairly well—not always doing the right thing, but they're sane. So, we have Republicans, as well as Democrats, who are perfectly sane. And if we remove this junta factor, and we realize what has happened to us, and we hate what has happened to us, and we try to get back to normal, during the next year and half or so—we can *get through* in terms of day-to-day management. We can *restore* our relations with nations in Eurasia; we can restore our relations with nations in Central and South America. So that you have another team; you have a team of capabilities of people who are serving in government, or who were associated with government, who can step in and advise this poor President what he should do.

And, the poor dummy! I mean, I'm not trying to hurt the man; the man may have hurt himself already enough. He was born dumb! But, he's the President! And we have to have the minimal crisis of our institutions; therefore, this President, preferably, should sit there. But, he should learn to do as he's told, by people who are wiser than he is; and rely upon them in one message. You know, how do you handle a dumb President? You say, "Now look, dummy! President Dummy, Mr. Dummy. Our job is to make your Presidency successful, while you have it. If you behave yourself, and listen to us, we guarantee you, you can go out of here clean, and, have a nice retirement. And, be called 'Mr. President,' after that, even

after you're out." That's the way you handle it.

And, what I propose to do with the poor dummy is to say: "Protect the guy. He's mean-spirited, he's difficult to deal with. You may have to talk to his mother about him—what we're going to do with him." But, this is the President. We have to protect our Constitutional institutions. And the best way to do it: Get these bums out. And realize that we have a potential team already sitting there: people in government; in the Executive branch; specialist divisions; skilled people, who, when called into action, around a theme, an idea, are capable of keeping this ship afloat.

The 'Acting President'

Under those circumstances, faced with an international financial crisis, and faced with the opportunities which are presented to the United States now, from Europe, and from Asia, in particular, with these opportunities, I'm sure that these fellows, without the burden of these neo-cons, and seeing the crisis we face, will respond intelligently to our friends abroad. I have an idea what's happening in France. I'll find out more in the coming weeks and months. I know something of what's happening in Italy. I know what's happening in China and India. I know certain things about the Arab world, and I'm talking with leading diplomats and others around the world, constantly. I've got a good smell of what the world would like from the United States. I know the "deal," as they call it, we can cut. I know the crisis we face.

We can get through this, quite well, even under this President, if we know how to play it. We'll send him out of office, in January 2005, saying, "Mr. President, you are 'Mr. President.' You will always be 'Mr. President' to us. Now go home and enjoy yourself."

So, in that sense, I have to be the acting President of the United States, because we just don't have one handy at the time. We have a sitting President, and that's what he's best at—when he's not lifting weights or whatever—but, we don't have a *candidate* for President: not on the Republican side; and so far, not on the Democratic Party side. Now, certainly, I would not deprecate Senator Kerry. I have a great deal of regard for him. I think his wife may be better than he is; she may be tougher. But, that's fine. He's a fine fellow. We'll work with him, for what he is. But, we'll not expect from him, what he's not. And, he is *not* a President for these times of crisis. And, the rest of them are poor losers, compared to him.

Now many of them may be useful. They may have useful roles. I mean, Kucinich—he'd never make a President, but he has an interesting constituency, which any political figure in the United States is going to pay attention to. Others of these candidates represent constituencies, which any person in high office is going to pay attention to. It's what you're going to work with. But, none of them come close to being President. And, none of them even come close to being a Kerry.

So therefore, for this period of time, I have to act like an acting President.

A couple days ago, this past Sunday, I gave a presentation at a meeting in New York City, to a few hundred people, which was videotaped and will be on the website soon. You can compare that with what I've said here, so far, today. It's a little bit different, but it's the same thing, essentially. It's complementary. So, you get an idea, of exactly what I stand for, where I'm going, what I think. And I think the best thing at this point, is to let you go at me, because what I've done, is given you an outline. And you may have some pungent questions to throw in, which fill the gaps.

LATEST FROM LAROUCHE

[LaRouche Spells Out How the DLC Is a '](#)

Trojan Horse'

At Presidential candidate Lyndon LaRouche's July 2 campaign webcast from Washington, he faced questions from leading Democratic Party leaders, including former Senator Eugene McCarthy, a Democratic Party State Senator, and a well-known American political consultant, about the Democratic Leadership Council (DLC), which LaRouche has called "Vice President Cheney's protection racket in the Democratic Party." The questions, and LaRouche's answers to them, appear below, in the order they were received. The full question-and-answer session appears on the candidate's website, www.larouchein2004.com

Q: The next question comes from someone who is a well-known political consultant in the United States, and who resides here in Washington. He says, "You've called the Democratic Leadership Council a 'Trojan Horse' designed to guarantee the re-election of George W. Bush. I have to tell you I disagree with you." He says, "It's in the immediate interest of the DLC, and very particularly in their financial interest, to elect someone who is nominally a Democrat, whose policy they would control. It's my view that, in fact, it would be far more difficult to organize any kind of opposition to a Democratic President who is controlled by the DLC. I'd like your thoughts on this."

LaRouche: Well, first of all, I disagree. Let's talk about, where did the DLC come from? Well, down there someplace. But what's its content?

Go back to 1966, Biloxi, Mississippi. That's where it began, when Richard Nixon, running for President, met with the leadership of the Ku Klux Klan, and with Trent Lott. And that's where it started. This was the so-called Southern Strategy, and you had all these racist Democrats who were joining the Republican Party at various stages, along with the so-called Boll Weevils, who came out of the cotton.

All right. Now, in response to that, you had a shift, which occurred around a fellow called Scoop Jackson and Moynihan, these two creeps. Remember, Scoop Jackson was a warhawk, he was out for war. Against people generally. It's called a social democrat. But then you had Moynihan, who was a property of Averell Harriman. And Moynihan went into the Nixon Administration out of Harvard. He was the guy that really invented the Bell Curve. Some of you know what the Bell Curve is? He worked on social policy. He was the guy involved in the area of setting up the replacement of Hill-Burton as a health program, by the HMOs, which took away D.C. General Hospital, among other things.

All right, so what happened is, you had a right-wing evolution, centered around people who had been formerly Trotskyists, especially the Social Democrats of America, that type, some of them had been Zionists, or whatnot, and they became more and more right-wing all along. And this was the emergence of a process which led into a 1975 meeting in Kyoto, of the Trilateral Commission, under the auspices of the Trilateral Commission leader Zbigniew Brzezinski. This featured a Samuel Huntington paper on "Crisis in Democracy." Brzezinski used this in his Administration, of Carter, to put through what became known as the Project Democracy, which was a fascist right-wing program. Averell Harriman's wife, Pam Harriman, put through a step in this thing. So, you had, under Reagan, the establishment of Project Democracy.

Now, *both* political parties from the top are controlled as party machines by Project Democracy, through the Congress. So, at that point, the right-wing, which had been coming into a takeover of the Democratic Party through Brzezinski and Company—the Trilateral Commission operation of 1975-77—now took control. And both parties were controlled from the top, in terms of the party machine; that is, the party machine as opposed to the elected officials of the local states, were controlled from the top by these guys. And that's the Trojan Horse.

You see today. Look, take the policies of Donna Brazile. Look what happened. How did George Bush get non-elected? Donna Brazile was the manager—she's part of this right-wing crowd—she was the manager of the campaign for Gore and for Lieberman. What happened?

Now, if they had gone into Arkansas and had campaigned in Arkansas, they would have come out of there with the Electoral College vote, and the election would have been over. But instead, she and her crowd went down to Florida, and began stroking Joe Lieberman's right-wing Cubans, and the election got jammed up. Now, I don't think that Al Gore was any good. And Lieberman was worse. But the point is, that's the way the politics worked.

There *is* no honest politics in the Democratic Party from the top-down, now. Don't kid yourself. It doesn't exist. The only way you'll get honest leadership in the Democratic Party leadership, is to put it there! There are no smart deals that you can make with the present Democratic leadership around the DLC. They belong to the right-wing. They are of the same inhuman species as the neo-cons. They are neo-cons. They think like neo-cons. They're thugs, they're not even human most of the time, and the thing you have to do is, replace them.

And the way to replace them, is, you raise one issue: Franklin Delano Roosevelt. The problem with some Democrats is they think there's a smart way to play the game. And this is the Hamlet problem I talked about.

Hamlet says, this is what makes cowards of us all. Because they're not willing to risk their neck, they're too much like draft-dodgers. They're not willing to risk their neck by deciding one way or the other what they stand for. They're trying to *maneuver* and handle the situation, and therefore, they say, "What's the smart way, the no-risk way, to deal with the problem?" And often in history, as in war, the real solutions are only risky ones. There are no no-risk solutions.

And I think the objection to my criticism of the Democratic leadership, from many people in the Democratic Party, is, they're looking for a no-risk solution, and they say of me, "Well, you take risks!" Sure, I took risks. I've taken many risks. My own government tried to kill me three times, at least the ones I know, officially. Yes, I've taken risks. The Soviet government wanted to kill me, Gorbachev wanted to kill me. His wife wanted to kill me. Officially. You should have seen what happened in 1986. Sure, I've taken risks. I'm still alive, but I took the risk.

The problem with the Baby Boomer generation, among leaders, is that they tend not to be risk-takers. They tend to be war resisters. They don't go to military service. "That's for dummies. There must be a better way to handle this situation." Now war is sometimes the wrong thing to do, often is. But if you're not willing to take the risk, you're not qualified to be a leader, and that's what our problem is. We have leaders who are often good people, people I regard as useful, intelligent, and so forth, but when it comes taking a risk for a principle, they fail. They say, we might lose. Yes, you might lose. But if you don't take the risk, you won't win. And that's the problem.

Q: We have a couple of questions from among the elected officials who are here, along these same lines. Senator Wilkins asks, "What can those of us in small-population states, do to reverse this trend of the Trojan Horse takeover of the Democratic Party? If we launch an effective response in our state, won't the national party people who seek to keep you on the sidelines, simply write us off and write our state off as a loss?"

LaRouche: Of course they'll try. That's the way they behave. They're thugs, they're Nazis. What do you expect from them? Once you understand that they're gangsters, no problem.

How do you defeat a gangster? Gang up on him. That's what we have to do. That's what *I'm* doing.

Yes, I stick my neck out. I have to. Somebody has to. If somebody doesn't stick their neck out and take the leadership, how are you going to get people together? You've got people who represent constituencies, who represent a smaller state, or a group in a smaller state, and you want them to take national leadership? No. Maybe one of them wants to. That's fine. But, in general, someone has to take this cause which involves a number of states, or most of the states, and take this cause and bring people together and spearhead the thing.

Someone has to take the lead. It's as in war. Someone has to take the lead. I'm taking the lead. It's the only way I know how to do it. It's the only way it's ever been done in history.

Politics is risk. Life is a risk. We're all mortal. What the problem of the Hamlet is, as I've emphasized repeatedly, is, people worry about the risk to their life.

You know, true religiosity has somehow gone out of the population, because they cannot cope with the idea that they're mortal. They have no sense of immortality. The person who has a sense of immortality, is worried not about how long their life is, but they're worried most of all about how they spend that life while they have it, and what comes out of it. People used to think about what they leave behind for their children and grandchildren, their community, and others. The Baby Boomer doesn't. Today's Baby Boomer doesn't do that. He thinks about his next change of lifestyle. The fact, if they have children, they say, "What did we do that for? It was a bad lifestyle. I want a different lifestyle."

So, we have, in the Baby Boomer Generation, people who are now in their 50s and 60s, people who are now running the United States in most institutions, are people who don't have intrinsic courage, because in older generations, our dedication was to what came out of our living for our grandchildren's generation. We thought about our grandparents' generation, and we thought about our grandchildren's generation. We said, "What does our life mean?" We said, "Can we be proud of being what we are? Are we pleased and happy to be what we are? Are we doing what we think we should do with our life, this mortal life we have?"

Most people today, in this culture, don't have that sense of commitment to previous and coming generations. That's the problem with youth. That's why I'm organizing a youth movement, because they know that their parents' generation really doesn't want them. And therefore, they know they are the no-future generation. Therefore, they're willing to fight for a future, for themselves and for coming generations. And maybe inspire their parents' generation to get back in the act, of mobilizing

The American people need a shake-up, also in Western Europe. They need a shake-up. They need to face the fact that there has been an economic crisis, there has been this kind of crisis, but there's been a moral crisis. Not a crisis of morals the way that some crazy fundamentalist would say, but a moral crisis in the sense of, what is the difference between man and a beast, between man and an animal? "Why am I different than an animal? What do I do, therefore, as a person who knows he's mortal? How do I spend that mortal life I have?" And that sense of mortality, that sense of immortality, is lacking, as a result of the pleasure-seeking generation, which came out of the post-1964 rock-drug-sex counterculture, and similar kinds of things. And that's our problem.

So in this circumstance, those of us who have the courage to fight, have the responsibility, because only we have the willingness to lead. The others might wish to consider themselves leaders, but they don't have the guts to do the job.

Freeman: When I spoke earlier of the LaRouche Youth Movement, I referenced the Presidential campaign of former Senator Eugene McCarthy. Senator McCarthy has sent a question in to the gathering, which I'd like Lyn to answer. He says, "First of all, Lyn, I'm really sorry I couldn't be with you, and with the Youth Movement today. I applaud your intention to expose and obliterate the DLC. I agree from experience, that the so-called neo-conservatives, these actually reactionary characters, were hiding out in the moist recesses of Scoop Jackson's office, hiding there like mushrooms, or a fungi. They were Dixiecrats, they were Republicans, and in fact, Scoop Jackson wanted nuclear war so much, I used to tell him he glowed. But, I really wonder, how can we save this Democratic Party? And I have to ask you, can this party be saved?"

LaRouche: I think it can be saved in only one way: Because people are frightened enough of what's happening to us, that

they will recall the similarity which I've emphasized today, as I have on other occasions: the similarity, despite the differences, the similarity between the crisis that threatens us today, and that which Franklin Roosevelt faced in the beginning of the 1930s.

When people are frightened enough to recognize the problem, they will look for a comparable part of past experience to look for a solution. The people in general will not care what the Democratic Party was before Franklin Roosevelt ran for President; they just won't care, and I don't blame them, because the Democrat Party before Roosevelt was the party of racism, and I don't want to think about that. It was a party of racism and some other things, all the way through from Andy Jackson on in.

But, what they'll think about is Franklin Roosevelt, because there was a time when the United States was a hero. The United States led the world out of the Great Depression, took the world through a war, took a broken nation, the United States, and made it the most powerful, productive force on this planet, and left to the rest of the world, or much of it, the post-war system which Franklin Roosevelt created, the Bretton Woods, which resulted in a great increase in wealth in other parts of the world; recovery in Europe; the growth of wealth in Central and South America, at least many parts of it; an improvement in many parts of the world as the result of what the United States represented during the period of that war.

That was a great period, and therefore, when I say Democratic Party, I mean Franklin Roosevelt, and his legacy. Not everything he did, not what he failed to do, but the fact that in our history as a nation, there came a time when the nation was in great danger, and the world was in great danger, and there came a man who ran for President, and won. He led the country out of a terrible depression, saved the world from Nazism, from Nazi conquest, and left a legacy which in the main part was of benefit to mankind, until people began to make a mess of it about 1964 with the launching of the Indo-China war.

Therefore, today, I tell people, you're in a similar situation. The Nazis are loose again; Cheney's only one of them, or maybe it's his wife, maybe he's just a dummy. But we face the same kind of problem, maybe worse. Therefore, what are you going to go by? Do you want an example from experience, a proven example that will work under today's conditions? Here it is. And Franklin Roosevelt is an example of what it's possible to do, that was proven in the past, that we can do now, to begin to get ourselves away from this hell, and get ourselves moving up again. And get better relations around the world.

Remember, and some of you aren't old enough to remember that, but you should remember the love that the United States attracted from around the world, especially from people in the so-called former colonial nations, who looked to the United States and Roosevelt, as an example of their hope for enjoying also economic progress, for enjoying freedom. And that was a great period; not perfect, there are many things I can criticize about it, but today, for starters, if you want to find an identity of the United States, that you would prefer to associate with, rather than what's happened in the past 40 years, you say, okay, let's call that the Democratic Party, or why not just call it the Franklin Roosevelt Party?

LaRouche Speaks to 'Hour of Truth'

Forum in Argentina

The greeting below was read in translation to the July 4 Argentina-Brazil-Mexico Integration: Hour of Truth forum in Buenos Aires, Argentina, which began on July 3. Lyndon LaRouche addressed some opening remarks to the forum and to Col. Mohammed Ali Seineldin, under the title "The Colonel Is Free." Those remarks appear below, and a report of the event, including speeches, will appear in an upcoming edition of EIW. LaRouche wrote:

On July 4, 1776, the U.S. Declaration of Independence changed the history of the world. On July 4, 1863, as the Confederate troops retreated from their defeat at Gettysburg, the efforts to crush out the existence of the independent republics of the Americas were doomed, until that bad turn of events, beginning with the 1982 Malvinas War and the autumn crushing of Mexico, against which our Colonel, Mexico's President Lopez Portillo, and I fought those enemies of humanity typified by the voices of neo-conservative editor Robert Bartley's *Wall Street Journal*.

Now, the old battle resumes in a new form. The Colonel is free, the 1982 UNO address of President Lopez Portillo resonates throughout the hemisphere, and I am leading the fight against these same enemies, politically stronger than ever before.

This time we shall win, because we must win, not only for the republics of the Americas, but the world as a whole.

Greetings to my old comrade in battle.

U.S. Economic/Financial News

New Reports Confirm: U.S. in Economic Breakdown

* *Construction spending* fell 1.7% in May, the biggest monthly drop in a year, the Commerce Department reported. Spending on public construction, such as roads, schools, and public buildings, fell to its lowest level since June 2002, amid the blowout of state and local budgets.

* *The manufacturing sector* continued its contraction, said the Institute for Supply Management; its manufacturing index rose to 49.8 in June, from 49.4 in May. Manufacturing employment, the ISM reported, fell for the 33rd straight month.

* *Layoff announcements* by U.S. corporations fell in June to "only" 59,715, according to outplacement firm Challenger, Gray & Christmas. During April-June, companies announced 274,737 job cuts.

* *Ford Motor Co.* reported a 7.7% drop in total U.S. auto sales for June, compared to a year earlier, despite huge cash rebates and interest-free loans. General Motors said U.S. sales rose 1.5% in June.

California Budget Crisis Continues To Unravel

California Governor Gray Davis, whose state faces the worst budget crisis in the U.S., issued orders on the first day of the new fiscal year July 1, to 1) extend a hiring freeze, and 2) eliminate all unfilled government positions—all of which will save \$250 million, out of a budget deficit of tens of billions. This trimming action, however, does not mean he will drop his plan for a half-cent sales-tax increase. In particular, Davis intends this new tax to be a dedicated revenue stream to finance new bonds. Davis also still wants to get pay cuts from state workers, which, if not agreed to, will result in a minimum of 13,000 layoffs. Moreover, a recent court order mandates that if the state has no budget, which it does not as of now, state salaries must be reduced to the minimum wage! The California State Employees Association reports that average monthly salary of state workers is \$4,200, which would fall 72% to \$1,188—some \$37.9 million in lost wages—at the minimum wage. CSEA president Perry Kenny said, "People won't be able to pay their bills.... It's a disaster waiting to happen."

State Budget Desperation Is Worst Since Last Depression

A *New York Times* op-ed June 30 by Bob Herbert, titled, "Oblivious in D.C.," opens with a quote from Oregon Governor

Ted Kulongoski: "Of all the challenges we face, none is more troubling than the fact that thousands of Oregonians, many of them children, don't have enough to eat. Oregon has the highest hunger rate in the nation." Herbert juxtaposes the Bush Administration's "indifference to the increasingly harsh struggles of the working classes and the poor," to the "renaissance" the President is promising to citizens of Iraq. Herbert says states across the country "are reaching depths of budget desperation unseen since the Great Depression," and the disconnect in Administration policy "is becoming surreal."

Greenspan at BIS Calls for 'Unorthodox Measures'

Speaking at the annual meeting of the Bank for International Settlements (BIS) in Basel, Switzerland, U.S. Federal Reserve Board chairman Alan Greenspan told his fellow central bankers that "measures once considered unorthodox might become conventional, such as buying financial assets," according to *Reuters* June 30. Greenspan is already on record, since Nov. 17, 2002, as saying that the U.S. might have to take "unconventional measures," which would include tremendous injections of monetary aggregate, which would go outside the normal means used by the Federal Reserve.

Expressing the ambivalent mood prevailing at the BIS, Matti Louekoski, deputy governor of the Bank of Finland, said, "We only expect very slow recovery," adding, "but of course, we have some uncertainties that are more or less serious."

World Economic News

BIS Highlights Risks to Global Financial System

In its annual report, released June 30, the Bank for International Settlements (BIS) points to the "relative reliability of the global financial system, particularly banks," in spite of a series of unprecedented shocks in recent years. However, "some strains have already begun to appear, and these would be likely to worsen were the anticipated expansion to falter." In such a case, stock markets would again sink, credit spreads would go up, and finally, property prices, presently at record levels, in a number of countries, would go down. "All of these price effects would further impair corporate and household balance sheets."

"Even if such a combination of events might be thought unlikely, it would surely be prudent for policymakers to reflect on the possible effects on the health of the financial system. In a number of countries, the proportion of bank loans related to real estate has been rising steadily, indicating a growing exposure to price decreases. Further declines in the prices of financial assets would prove particularly uncomfortable for banks in Germany and Japan.

"Further declines in the prices of financial assets might also cause difficulties for insurance companies and pension funds that have already been hard hit." The implications of further pension fund losses could be far-reaching, notes the BIS report, "At the extreme, parent companies could be downgraded or even forced into bankruptcy if the losses were large enough."

Another factor contributing to financial vulnerabilities" is the fact that "systems, particularly for risk mitigation, grow ever more complex, legally challenging, and technology-dependent." Therefore, "the likelihood that something will go wrong clearly rises." Another concern is the "increased volatility in financial markets, and the possibility that some financial institutions might have insufficient means in place to protect themselves. A concrete example might be the possibility of sudden, sharp increases in long-term interest rates and the effects on institutions that essentially borrow short and lend long."

A third set of concerns is the tendency towards fewer and larger financial institutions: "With large firms increasingly trading among themselves, perceived difficulties with one counterparty might very quickly involve others. Moreover, large

players can move markets in ways that could affect the cost and availability of needed hedging. In this way, idiosyncratic shocks could conceivably turn systemic."

Is the Bond Bubble About To Pop?

This is the question posed in an article, "Investors fear end of bond bubble is in sight," in the *Financial Times* July 3, by Charles Batchelor and Ed Crooks, who also seem to have some fears of their own. Excerpts follow:

"Investors shunned British and German government bond market auctions on Wednesday [July 2], fuelling fears that the three-year old bond "bubble" has passed its peak. The poor response coincided with a further fall in the price of U.S. Treasury bonds, which hit a seven-week low during the day before recovering by the close.

"Demand for bonds is being hit by concern about deteriorating public finances in most large economies and by renewed interest in equities as hopes of economic recovery rise and fears of deflation fade.

"But a fall in bond prices could threaten to choke off the stock market revival and undermine recovery."

This is the idea repeated *ad nauseam* in the article. After reporting figures on low bond sales in Britain and Germany July 2, the *FT* quotes Ciaran O'Hagan, fixed-income strategist at Lehman Brothers, who said the German government bond auction was "the worst I have ever seen in my 12 years of following the market."

The *FT* continues: "Since the end of the share price bubble in 2000, a flight away from equities and into bonds has driven bond prices up—an ascent many analysts have seen as another bubble waiting to burst.... a drop in bond prices could upset the recovery in share prices.... 'The biggest prop to the stock market has been low bond yields,' said Eric Lonergan of Cazenove. 'We have just had a very strong quarter for equities, and now one of the supports for that is being taken away.'

"Falling bond prices—which mean rising long-term interest rates—also threaten to undo efforts by governments to establish a robust global recovery. Rising bond prices have cut the cost of fixed-rate mortgages in many countries and fuelled consumer spending, particularly in the U.S. Companies have also been able to refinance debts more cheaply. These supports for growth would be undermined if bond prices continued to fall," and so on and so forth.

Central Bankers About To Bring Back 'Hyperinflation'?

In his column for the German daily *Die Welt* June 30, Hong Kong-based Swiss fund manager Marc Faber stated that amidst all the talk about deflation, we are already dealing with "hidden inflation" in the U.S. right now. He recalled the "inflation panic" in the 1978-81 period, when investors bet on an oil price of \$80 per barrel, everybody was buying gold, and the Fed was pushing up interest rates to 15% and more. Today, it seems to be the other way around: Investors are fearing deflation and central bankers on a worldwide scale are engaged in "extreme monetary expansion, in particular in the U.S. and Japan. The overall U.S. indebtedness in the meantime has risen from 125% to 300% of Gross Domestic Product," Faber writes.

Official price inflation is still low because of cheap imports from Asia, he says. But all the other traditional symptoms of inflation—rising trade and current account deficits, currency weakness, rapidly rising real-estate prices—have already been around for more than a year in the United States. Last week, there was a huge sell-off on the bond markets, pushing up Treasury yields, in spite of the fact that the Fed had just cut short-term interest rates. Any news on rising inflation could now trigger a huge bond-market crash, Faber warns.

"Of course, the architects of the several financial bubbles—Greenspan and Bernanke—would then pump even more

liquidity into the system, just as German Finance Minister Helfferrich did in the early 1920s, thereby laying the foundation for hyperinflation. Over the long run this will not work. In view of present monetary and fiscal policies in the U.S. and Japan, I have lost my confidence in long-term securities," Faber concludes.

Argentina Acts To Curb Short-Term Speculative Flows

The Argentine government will implement measures to curb short-term speculative flows, by requiring investors to keep their money in the country for at least 180 days, according to a June 25 announcement. Finance Minister Roberto Lavagna had indicated even before President Nestor Kirchner took office on May 25, that he was working on such a measure. The announcement came one day after IMF Managing Director Horst Koehler left the country, and although no date for its implementation has yet been announced, it has already provoked rage among Anglo-American financial circles, who threaten that this will "undermine confidence" in the country, by asserting, even partially that the Argentine government believes "you can invest in my country, but only on my terms," as one London financial analyst put it. All Argentine bonds dropped sharply on June 26, after the Merval stock market had fallen by almost 7% the day before.

Lavagna said that the measure, which applies to non-trade capital, is intended to prevent sharp fluctuations in the dollar, which pose a significant risk to the economy. "We want to make it clear that short-term speculative flows are not compatible with the Argentine economy," he said. Over the past month, hot money increased to \$900 million, compared to \$550 million three months ago. Asked about the measure, IMF External Relations Director Tom Dawson responded tersely, "We will be looking at it further with the authorities."

Will the Lights Go Out in Britain?

The lights could go out in Britain before 2020, due to short-sighted energy policy, states a report published on July 1 by the Institution of Civil Engineers (ICE). It reveals that, within a generation, Britain will become completely reliant upon energy sources supplied via pipelines from politically unstable countries thousands of miles away. The "State of the Nation 2003" report highlights a potential 80% shortfall in meeting the country's energy demands from current supplies by 2020, and points to the possibly cataclysmic effects of becoming reliant upon unsecured, imported fuel supplies.

Tom Foulkes, ICE Director General, says: "This country has been largely self-sufficient in electricity generation for the past 100 years. We have been able to ride through a succession of energy crises, such as oil in 1973, coal in the early 1980s, and the self-inflicted petrol crisis of 2000. All of these had the potential to inflict serious economic damage, but this was largely avoided by the fuel mix and diversity available at the time. This is about to change dramatically."

Currently, the British generation mix for electricity is approximately 32% coal, 23% nuclear, 38% gas, 4% oil, with 3% others and renewables. Emission constraints mean that the U.K.'s coal-powered generating plants will close shortly after 2016. And, the ICE release adds, "only one nuclear power station will remain operational beyond 2020, due to the government's failure to invest in maintaining and upgrading Britain's nuclear power program."

David Anderson, chair of ICE's Energy Board, warned that if the government doesn't act, "a return to the blackouts that marked the 'Winter of Discontent' and the country grinding to a halt are very real possibilities in less than 20 years' time."

U.S. Collapse Spreads to Mexico's Auto Industry

Volkswagen, one of the largest auto producers in Mexico, announced that they will cut production by 23% and fire 2,000 workers at the beginning of August, due to the collapse of their sales to the United States. They will produce 60,000 fewer cars this year than they had planned. Workers are attempting to offer pay cuts, shorter work weeks—anything to keep a job.

United States News Digest

U.S. Unemployment Soars by 913,000 Workers During Past Three Months

In June, *official* U.S. unemployment jumped to 9.358 million from 8.998 million in May, an increase of 360,000 unemployed, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) reported July 3. In tandem, the official U.S. unemployment rate increased by 0.3% to 6.1% in June, the highest level since April 1994. *EIR* has demonstrated that real unemployment is twice what the BLS says it is.

Most professional economists, who had expected the June unemployment rate to be 6.1% or 6.2%, were shocked, and scrambled to explain why, despite all their predictions that the economic recovery is just around the corner--or is already happening--that unemployment keeps rising. One novel explanation came from Bill Cheney, chief economist for John Hancock Financial Services. Cheney told the July 4 *Washington Post*, "Many more people are looking for work because their confidence is returning," and they are now coming back into the labor force, after having been out so long. Cheney then got to the core of his sure-fire argument, "regardless of the reasons, there aren't enough jobs."

These figures confirm Lyndon LaRouche's assessment that the U.S. physical economy is in a downward spiral. Since June 2000, when the wave of unemployment started, 3.784 million workers have *officially* joined the ranks of the unemployed, and since January 2001, when George W. Bush took office, 3.402 million people have become unemployed. *EIR* will soon show that, in reality, over the past three years, 5 million workers have become unemployed.

For black workers, official unemployment leapt from 10.8% in May, to 11.8% in June. In reality, the real unemployment rate for blacks is at minimum 16%, and as much as 22%, with rates at 30% in some cities and towns.

In June, more than half of the 9.358 million unemployed had been looking for work for more than 12 weeks, the highest level since 1983.

Unemployment continues to strike at the manufacturing sector. During June, a further 56,000 manufacturing workers' jobs were eliminated, of which 48,000 were *manufacturing production workers jobs*. This is the 35th consecutive month in which manufacturing jobs have been axed. Since July 2000, there have been 2.623 million manufacturing jobs eliminated, of which 2.178 million were production manufacturing workers. This is the elimination of 15.1% of the U.S. manufacturing workforce, and 17.5% of its manufacturing production workforce.

EIR's preliminary investigation shows that the last time the U.S. had 35 straight months of manufacturing production worker loss was during the 1930s Depression.

U.S. Approves Direct Aid To Palestinian National Authority

The Bush Administration is reportedly extremely impressed with Palestinian Prime Minister Abu Mazen/Mahmoud Abbas, especially his success in organizing the three-month ceasefire among militant groups, including Hamas. This is significant, since the Israeli spin has been that the Bush Administration was not interested in the ceasefire. Abu Mazen's success has led to a formal invitation by Condoleezza Rice to Washington, to meet President Bush. Now it has led to an agreement by the U.S. to resume direct aid to the Palestinian National Authority, which had been suspended when the U.S. started a policy of ignoring Palestinian President Yasser Arafat.

The U.S. Agency for International Development will now transfer \$30 million for rebuilding infrastructure in the West

Bank and Gaza Strip.

With the funds earmarked for rapidly furthering the "Road Map" peace process, the Bush Administration is considering giving up to \$300 million, initially, in aid to PNA security and military services. Palestinian security forces and infrastructure have been largely destroyed by the Sharon offensive of the past two years.

Gen. Abizaid Grilled on Lack of Iraq WMDs

Lt. General John Abizaid, nominated by President Bush to replace Gen. Tommy Franks as head of U.S. Central Command, admitted during his June 25 confirmation hearing in front of the Senate Arms Services Committee, that he did not understand why no chemical weapons have been found in Iraq. "It is perplexing to me," Abizaid said, "that we have not found weapons of mass destruction, when the evidence was so pervasive that it would exist." This, however, did not keep him from repeating the refrain that such weapons will be found eventually.

Under questioning from Sen. Jack Reed (D-R.I.), he also admitted that "I can't offer a reasonable explanation with regard to" Iraq's lack of use of such weapons. Reed noted that, because the evidence so far found is at such odds with the pre-war reporting, "we have to reevaluate whether or not intelligence was effectively gauging the intention, the capability or the will of that regime to use weapons of mass destruction, which is a critical question, I suspect, in the calculation to employ a military option."

Committee chairman John Warner (R-Va.), trying to salvage the situation, tried to suggest that maybe the speed of the campaign and the fact that it did not follow the pattern of the 1991 Gulf War, might have disrupted the movement of chemical artillery shells from depots to Iraqi units in the field. Abizaid replied that "I believe that if we had interrupted the movement of chemical weapons from the depots to the guns, that we would have found them in the depots. But, we've looked in the depots and they're not there."

House Reviews U.S. Asia/Pacific Deployment

A June 26 hearing of the House Asia and the Pacific Subcommittee took up the subject of announced, and unannounced, changes in U.S. force posture in South Korea and elsewhere in that region. Subcommittee chairman Jim Leach (R-Ia.) told the witnesses--Assistant Secretary of Defense for International Security Affairs Peter Rodman; U.S. Pacific Commander Adm. Thomas Fargo; and Christopher LeFleur, State Department special envoy for Northeast Asia security consultations--that "it strikes me that from a Congressional perspective, we should delegate to you in the Defense Department all of the niceties of how you think American forces should be structured; but when it comes to commitment that is political and involving both the purse as well as potential loss of life of the United States, we have to be careful about commitment, which is a public responsibility broader than simply the Department of Defense."

Rodman explained that, with respect to the recently announced force structure changes in South Korea, "What we're talking about is adapting our physical capability, and that's something that involves consultation with the Congress necessarily," rather than making any change in political commitment. LeFleur later explained that the reasons for repositioning U.S. troops south of Seoul were logistical, and to give them more maneuvering space away from populated areas.

'Dead on the Fourth of July'

Defense Secretary Donald Rumsfeld has angrily denied that Iraq is turning into a quagmire, but the toll of dead and wounded Americans is rising daily.

On July 5, a biting commentary by Patrick Cockburn reporting from Baghdad, in the London *Independent* is titled "Dead on the Fourth of July." After noting the increasing boldness of the guerrilla attacks on U.S. troops, Cockburn writes, "With Americans being killed in small numbers, Iraqis in larger numbers and Saddam Hussein's vow of defiance [in the form of an alleged tape-recorded speech calling for resistance to the U.S., which appeared this week--see [MIDDLE EAST DIGEST](#)], it is difficult to remember in Baghdad that in this war, combat is officially over. Somehow, despite all the triumphalism after the short war, the U.S. and Britain have failed to turn their military victory into a political victory." Cockburn wastes little time in identifying the reason for that situation. "Only 2 million out of 24 million ever supported" Saddam Hussein, a teacher in Basra told him, but they do blame America and Britain because, contrary to their high expectations, their lives have become materially worse since the fall of Baghdad.

DLC Kansas Governor Brings in Expert from Rightwing Piggy-Bank To Plan Cuts

Governor Kathleen Sibelius, a Democrat and darling of the Democratic Leadership Council (see [LATEST FROM LAROUCHE](#) for remarks on DLC as a Trojan Horse), has appointed an economist from Koch Industries to preside over the review of how to respond to the economic depression and budget crisis by slashing state services and raising taxes. Koch Industries, the largest privately held American oil company, is a major funder of conservative Revolution institutions and rightist Republican politics.

Koch economist Art Hall, now on loan to the state government, is expected to "question everything" in Kansas services and other spending.

This is not so shocking, even though the Koch funds aided Sibelius' Republican opponent. In fact, without public fanfare, Koch Industries has funded the DLC In October 2000, the DLC held a big fundraising event which Koch helped plan. Koch executive vice president Richard Fink and one other Koch officer attended and contributed heavily to the DLC. And Fink went on the board of the Progressive Policy Institute, the think tank of the DLC.

Ibero-American News Digest

Mexican Lawmakers File Suit vs. Electricity Privatization

Senator Manuel Bartlett, joined by Congressman Salvador Rocha Diaz, filed a suit on June 25 before the Federal Superior Accounting Office, demanding that that body investigate and audit 225 licenses to generate electricity granted to private parties under the former Zedillo and current Fox governments, in "flagrant violation" of national laws and the Constitution. The 206-page suit is a bombshell, documenting, case by case, how a reform passed in 1992 to permit individual industrial companies to produce electricity for their own use, has been abused by government officials and foreign interests, to implement a de facto privatization of Mexico's national electrical industry, to the detriment of national production. Seventeen companies, all subsidiaries of foreign companies, now generate 19% of the capacity of the state's Federal Electrical Commission (CFE), the suit documents.

The abuses constitute a threat to national security, as well as national production, the suit charges. Singled out as particularly egregious are six licenses granted by the Fox government for the production of electricity in northern Mexico, for export to the United States. The 1992 law was never intended to permit "the *maquilization* of electricity with imported natural gas, nor the extension of the U.S. electrical system into national territory," the suit states. It seeks the cancellation of 44 licenses granted to companies proven to have been set up on fraudulent grounds, and demands criminal charges be filed against those parties found to be in violation of the law. Among those named in the suit are Energy Secretary Ernesto Martens, and CFE director Alfredo Elias Ayub. In a press conference following the filing, Bartlett warned foreign interests that violate Mexico's laws that, sooner or later, they would face criminal charges.

One of the cases documented in the voluminous report is that of Enron's activities in Mexico.

Some attempted to downplay the suit, saying it represented two "individuals" only, who lack the backing of their party, the PRI. This is whistling past the graveyard. Bartlett and Rocha Diaz head the Constitutional Issues committees of their respective chambers of Congress, and Bartlett headed the successful Congressional fight which last year killed President Vicente Fox's bill to modify the Constitution to permit the privatization of energy.

Another Soros Operative Named Prime Minister in Peru

Don't look for a change in policy from the new Prime Minister of Peru: She's from the stable of international megaspeculator George Soros, as is President Alejandro Toledo, who seems to have an inexhaustible supply of Soros agents to direct his government. On June 28, six days after his Cabinet had resigned, Toledo finally appointed Beatriz Merino as Prime Minister, to preside over a Cabinet virtually identical with the previous one. Key ministers—Foreign, Defense, and Finance Ministers included—were reappointed, and Merino, proclaiming herself to be a firm "liberal" economist, promised she would ram through the tax increases which Toledo's own Peru Possible party had refused to even consider, thus provoking the fall of her predecessor as Prime Minister.

"There is no free lunch," Merino said; the time had come to face the need for a "serious" reform of the State. Merino announced she intends to "co-govern" with Toledo.

How she will succeed in imposing the full liberal policy which the Toledo government has been unable to ram through for 23 months, is an open question. She brings no mass political base with her, as she headed the national tax agency before her appointment. What she does have, is connections to the bankers' international legalization machine, and George Soros, who put Toledo in power in the first place. Harvard graduate Merino is a member of the Inter-American Dialogue. She was a member of the board of the Soros-funded and directed Andean Commission of Jurists, and she was one of the signers of Soros's 1998 Open Letter to the United Nations, calling for an end to the war on drugs worldwide.

Colombia's Uribe Clashes with UN Over FARC Terrorists

In a Kafkaesque communiqué issued June 30, the UN High Commission on Human Rights chastised Colombian President Alvaro Uribe for calling the FARC "terrorists," instead of "combatants," under the 1949 Geneva Convention, and protested Uribe's failure to define the narcoterrorist war against the Colombian nation as an "internal conflict." By refusing to identify the FARC as "combatants," and the terrorism as a "conflict," the communiqué charged, President Uribe is *allowing* the FARC to circumvent the international law strictures imposed by the Convention!

This criminal UN declaration comes in direct response to statements made by Uribe to the Colombian daily *El Espectador* one day earlier, where he insisted that the FARC *are* indeed terrorists. The UN's insistence on calling the FARC "combatants" is intended to equate them with the Colombian armed forces (the "other combatants," who are attempting to defend the nation of Colombia from the narcoterrorists), and is a response to Uribe's biting criticism, several weeks earlier, accusing the UN of being "afraid of the FARC," and demanding that the UN "stop saying that they are an impartial body before two parties."

Brazilian Neo-Con Worries Over Bush Dealings with Lula

Before Lula da Silva was elected President of Brazil, the Hudson Institute's Constantine Menges penned a series of hysterical articles demanding the Bush Administration do whatever it took to keep Lula from winning, warning that a Lula

government might build an atomic bomb and use it to defend a Castro-centered Ibero-American "axis of evil." Lula's cordial meeting with President George Bush June 20, drove Menges into action again.

Lula may be implementing market policies, but he "is also taking open and secret actions to assist his allies, who are also Fidel Castro's allies, to take power in other Latin American countries, just as I warned," Menges charged in a *Washington Times* op-ed June 27. The article was full of Cold War stridency, warning against the danger of a Brazil being "ever more aligned with Communist China," and the like. "This does not yet require an open confrontation," Menges wrote, in an admission that calls for war against the Lula government would not fly in Washington at the moment. However, "President Bush needs to be given the facts about the new pro-Castro axis."

Mont Pelerinites Say: Turn the Screws on Argentina

Argentina's crisis is "of its own making," and it should kill off its population with more insane measures. This is the message in a June 2003 report on the Argentine crisis prepared by the Joint Economic Committee of the U.S. Congress. Bearing the endorsement of JEC Vice Chairman Jim Saxton, Republican of New Jersey, the report was written by longtime JEC fixture Kurt Schuler, who, along with Mont Pelerinite Steve Hanke, is a rabid proponent of dollarization as a solution to Argentina's crisis. Saxton has been a strong supporter of George Bush's tax-cut mania, and a critic of IMF bailouts of developing-sector countries.

Schuler's fundamental thesis is that the country's problems "are of its own making," and not "a failure of free markets." He rejects any notion of a systemic financial crisis, alleging absurdly that Argentina's crisis occurred "when the rest of the world was experiencing slow growth, but not recession and certainly not depression." When Adolfo Rodriguez Saa defaulted on the foreign debt, instead of "presenting the default as a reluctant step by a debtor willing but unable to pay its bills," he presented it "as an act of defiance to creditors."

How to get out of the crisis now? Argentina "could dollarize," Schuler argues, citing the "success" Ecuador and El Salvador have had. A floating exchange rate won't work, but a real "orthodox" currency board of the kind Hanke defends, would.

He then goes on to endorse a list of policies which, were they to be implemented, would finish off Argentina entirely—and that is obviously the intention—by destroying any commitment by the government to the principle of the general welfare. Above all, "property rights" and the "rule of law"—looting rights of foreign companies—must be respected. The Federal government should "get tough" with the provinces, and not share revenues with them, since they are all bankrupt anyway; pensions and wages of government employees should be slashed, and "inflexible" labor laws eliminated, as they are the real cause of unemployment, crazy Schuler argues.

Brazil Unemployment Approaches 1930s Levels

Official unemployment in Brazil rose in May to a 14-month high of 12.8% nationally, an increase of 0.4% from April. Unemployment has risen every month since Lula da Silva came into office, and with interest rates still at 26%, economic activity continues to shut down. The major auto companies, for example, have announced that they will temporarily shut down their factories in July, because inventory is piling up. If two other categories are added in—the 5.2% of the population working in informal jobs, because they can't find real ones, and the 1.9% who have given up looking for jobs—unemployment in greater metropolitan Sao Paulo, the industrial heartland of the country, was actually 20.6% in the months of April and May, the highest rate since 1985.

Illustrating how explosive this has become, police in Rio de Janeiro had to deploy tear gas and truncheons to control 20,000 people who lined up to apply for 1,500 street-sweeping jobs which the city had announced it would open over the next two years; jobs which will pay all of 610 reales a month (around \$210), including meals and benefits.

Western European News Digest

Hans Blix To Head New WMD Commission

Swedish Foreign Minister Anna Lindh announced July 7 the creation of a new commission, to be financed by Sweden, with the intent to provide new ways of fostering international cooperation for the disarming of weapons of mass destruction and to stem proliferation. The commission is expected to be established in the fall and will issue its first recommendations some time in 2005. A Foreign Ministry spokeswoman said, "The more detailed shaping of the commission will be up to Dr. Hans Blix, who just completed his term as chairman of the UN's weapons inspection commission in Iraq, UNMOVIC." Blix has been an outspoken critic of the U.S. move to unilateral war against Iraq, and Blix has challenged Washington to explain why the U.S. has failed to find WMD.

Berlusconi Explains Why Europe Needs a 'New Deal'

Following Italy's assuming the six-month rotating Presidency of the European Union on July 1, Italian Premier Silvio Berlusconi explained why a "New Deal" is necessary for Europe in his July 2 statements in the European Parliamentary debate. "I agree with you, that you can see a Keynesian or Colbertian atmosphere in the request for a European intervention through the EIB [European Investment Bank] and the accumulation of private capital to build large Trans-European infrastructure, already planned ten years ago by [then-European Commission] President Delors—but, you see, we are facing a fact that nobody can contradict. What happened in the world after 9/11? There was the Afghanistan war, the Iraq war, but more importantly, the world stock markets collapsed. This has caused a reduction in all the financial wealth invested in stocks, and has caused a crucial collapse of their profits.

"This has caused a reduction in private demand on the market for consumer goods and for durable goods, and therefore, when private demand goes down, there is no other way than to stimulate public demand to support the economy. Public demand cannot come from single [European] states, because single states no longer have the ability to change currency rates, to have a development policy, due to the simple fact that they must stay within the Maastricht criteria. Therefore, it is Europe alone that must, finally, develop its own capacity for economic policy. The Italian proposal is that Europe—through one of its institutions, the EIB—shall collect funds from private capitals that are in the market and which one could get at low interest rates, to try to give impetus to demand, through transnational projects in infrastructure, and also through necessary new investments in military technologies, and through investments in research and in education. Solely because of this, facing a changed economic reality, we must stimulate investments from the states and, in this case, from the European Union."

German Exports to China Increased by 20% in 2002

In a special release on July 2, the German Federal Statistical Office highlighted the rapid expansion of trade relations between Germany and countries in East Asia. German exports to East Asia amounted to 51.6 billion euro in 2002, compared to German exports to France (69.8 billion Euro), Eastern and Central Europe (76.5 billion euro), and the U.S. (66.6 billion euro).

East Asia's share in German exports thus rose 8.0% and is expected to increase in coming years. China has now surpassed Japan as the leading German trade partner in East Asia, both in terms of exports as well as imports.

German exports to China increased by 19.6% last year, those to South Korea by 20.8%. The only other region in the world where German exports are also rising strongly year by year, is Eastern and Central Europe, up 7.6%, and Russia, which

rose 10.6%.

In contrast, German exports to other Euro-zone countries stagnated 0.3% during 2002 and exports to the U.S. fell 1.8%, and to Japan fell 7.1%.

Britain's Foreign Secretary Pays Surprise Visit to Baghdad

Jack Straw vowed that attackers against the U.S.-U.K. would be "dealt with" and that authority would be handed over to the Iraqi people quickly. Straw met with U.S. administrator Paul Bremer and Maj. Gen. Peter Wall, commander of British troops in Basra. Bremer is reported to have requested more British troops be deployed.

Straw told *BBC* that "the terrorists, the remnants of the Baathists in Fallujah, on the ground, are making a terrible mistake if they think that we're going to run away from this." He added, "The quicker we can get established Iraqi institutions, the better," and promised Iraqis would be taking over responsibility. His remarks dovetailed with statements made by President Bush the same day in the United States.

Meanwhile, back in London, Blair's aide Alastair Campbell admitted in a letter published in the *Guardian*, that he had doctored up the intelligence reports on Iraq. The scandal is rocking the Blair government (see INDEPTH).

Britain's Foreign Secretary in Tehran

Jack Straw played the soft cop at a joint press conference in Tehran with his counterpart Kamal Kharrazi, June 30. Straw went to Tehran reportedly to pressure Iran to sign a protocol to the Non-Proliferation Treaty. The Iranian position, restated by Foreign Ministry spokesman Asefi, is that, as an NPT signatory, Iran has the right to nuclear technology transfer, which has been denied it (except from Russia). Asefi said, "If we are going to sign new commitments, we need to know the implications."

Straw therefore was asked at the press conference, if sanctions would be lifted. He said he could not say when, but that it would generate more trust to sign.

When asked why there is no objection to Israel's nuclear force, he said that Iran, a signatory of NPT, had had some "problems," which had to be solved. If the nuclear program were peaceful, okay. Then, he said Israel has *not* signed the NPT, and that when all other countries have recognized Israel, then one can put pressure on Israel to sign.

Regarding the WMD in Iraq, which have not materialized, Straw said they had had "proof" of a nuclear weapons program, and that, on that basis, the UN members had signed Resolution 1441, designating Iraq as a country which constituted a threat to security. He also cited "concern" as referenced in an IAEA report on Iraq!

On Blair's recent comments supporting demonstrators in Iran, considered an interference in internal affairs (and for which the Iranians called in the British ambassador), Straw said it was no such thing; he said Blair merely stated the U.K.'s position to "support the right of free and peaceful assembly."

On Iraq, he said Iran had been playing a positive role, and he hoped it would play a "more constructive" role in reconstruction.

In talks with Iran's National Security head Rowhani, Straw discussed the Afghan situation, which, Iran says, has

destabilized the region, and paved the way for production of 20 times the amount of drugs. Rowhani said IAEA head ElBaradei would be invited to Iran soon, to solve some "technical problems" (he is expected in Tehran on July 9).

Britain's Foreign Secretary Rules Out Intervention in Iran

In response to a question posed by the *BBC*, whether there were any circumstance in which Britain would agree to a military attack on Iran, Jack Straw replied: "I can conceive of no such circumstances."

Straw stressed throughout, according to the Farsi reports, the importance of solving differences through discussion.

FAZ: Leo Strauss Hijacks Imperial Ancient Athens

The late Leo Strauss and his neo-conservative followers were featured in a half-page article in the June 29 *Frankfurter Allgemeine Zeitung*, where Strauss was dubbed "the Oracle of Chicago." Leo Strauss did exert influence, but not in a direct way, rather, like the ancient Oracle of Delphi, said the commentary.

FAZ added that the Straussians of today borrow from ancient Greece also in another sense: Actually, they do not care much about any philosophy, instead, their only philosophy is that which drove the ancient imperial Athenians to define their strategic objectives on the basis of military superiority and raw power—as described by Thucydides in his famous history of the Peloponnesian War.

Palermo Meeting To Discuss Mediterranean Investment Facility

On July 7, the third Euro-Mediterranean conference pushed for an investment facility for the Mediterranean as a priority. "We will try to achieve an increase of investments by upgrading the financial facility of the European Investment Bank for private investments and infrastructure in the Mediterranean Countries (Femip)," Italian Vice Minister Adolfo Urso said in an article for the weekly *Il Mondo*.

Russia and Central Asia News Digest

July *Valyutny Spekulyant* Features Analysis From LaRouche's EIR

Issue No. 7 of the Russian online and print monthly *Valyutny Spekulyant* (Currency Dealer) is now out, containing a heavy dose of reality for the Russian economists and business executives who read it. The issue includes three articles from *Executive Intelligence Review*.

A major feature is Lothar Komp's "The Meltdown of the Dollar: It's Systemic, Stupid!" (*EIR*, May 23, 2003), under the Russian title "The Dollar's Collapse Was Produced by the System." The Russian translation, with graphics, takes up four pages of the magazine.

John Hoefle's ironical commentary on "Wall Street Reform" ("Meet the new crooks: they're the same as the old crooks...."), from the May 16 *EIR*, appears as a one-page article in *Valyutny Spekulyant*.

Lastly, *VS* ran a half-page box, based on Richard Freeman's article, "Freddie Mac Now Threatens the Global Bubble...", from the June 20 *EIR*. This updates the Fannie & Freddie story, which *VS* covered in its April issue by carrying Freeman's earlier reports on the pending U.S. real estate and derivatives debacles.

China and Russia Agree on Fossil Fuels Survey

China and Russia have agreed to make a joint survey of the oil and natural gas resources in their border areas, the first such cooperation in this field between China and Russia, the government of China's Heilongjiang Province announced on June 28. According to *Xinhua*, the project is a phase of the oil supply deal signed by Moscow and Beijing in May, to supply 30 million tons of Russian crude to China. The geological survey will be done in three trans-border basins: the Muhe-Ushumun, the Sunwu-Zeysko Bureinskaya, and the Sanjiang-Amur. The work will be done by scientists from both sides. According to the Far East Institute of the Russian Academy of Sciences, a preliminary geological survey had detected an oil and gas field with a maximum reserve of 80 million tons.

Russia, U.K. Sign a Gas Pipeline Deal

During President Vladimir Putin's state visit to Britain the week of June 23, energy deals were at the top of the agenda on economic cooperation. British Petroleum and the Tyumen Oil Company (TNK) finalized their merger. In addition, after an energy conference addressed by Putin on June 26, Energy Ministers Yusufov and Stephen Timms signed an agreement on a \$5.7-billion pipeline project, to deliver Russian natural gas to Britain via the Baltic Sea and Northern Europe.

Another cooperation agreement, signed by the Russian and British Foreign Ministers, provides for the U.K. to provide \$48 million in funding to dismantle decommissioned Russian nuclear submarines and store spent nuclear fuel.

Khodorkovsky's Menatep/Yukos Empire Targetted

Platon Lebedev, chairman of the board of Menatep International Financial Group, was arrested July 2 and charged with the illegal acquisition of the former Russian state mining group Apatit in 1994, and with murky transfers of \$5 billion from Yukos Oil and other firms of the Mikhail Khodorkovsky empire, over the past years. Furthermore, Alexander Pichugin, one of Khodorkovsky's security chiefs at Yukos, has been charged with responsibility for two assassinations in November 2002. Khodorkovsky himself is under investigation in connection with his 1995-96 purchase of Yukos. He has also been summoned to appear July 4 for questioning by the Prosecutor General in the Lebedev case.

Given Khodorkovsky's aggressive lobbying for a Russian special relationship with the United States, based on providing oil to replace fuel from the Mideast in the event of endless war, and the fact that he is especially close to British oligarchs—Lord David Owen heads up the international office of Yukos in London—some analysts rushed to interpret these events as a long-overdue crackdown by Russian state authorities against the power of Russia's "oligarchs" in general—the raw materials magnates who seized much of the country's wealth during the 1990s so-called reforms.

There are at least three elements of the context of these events, however, which point to a more complex political story.

- 1) The scandal around Yukos is taking place just before its planned merger with Roman Abramovich's Sibneft, which will make Yukos the fourth largest oil company in the world. For this deal, Yukos was going to borrow \$1 billion. The timing also coincides with discussions with China about construction of the Siberia to Daqin oil pipeline, with financing from Yukos as well as the state. These projects—which have their opponents among other raw-materials clans—could be affected by the scandal, which has already knocked Yukos' capitalization down by about 4%, as it led the Russian stock index into a slide.

- 2) Khodorkovsky has made enemies by leading a "Mr. Clean" campaign for transparency in big-business practices in Russia. This may be self-serving hokum, but it has been openly welcomed by President Vladimir Putin, who met on June

10 with Khodorkovsky's ally in this matter, aluminum magnate Oleg Deripaska.

In a lengthy June 20 press conference, Putin said that Russia no longer had "oligarchs," but rather "major businesses," whose activity was essential for the country. *Nezavisimaya Gazeta* of July 4 noted that "it is no secret, that Internal Affairs and FSB archives have accumulated enough unfinished cases over the past decade, that skeletons could be resuscitated out of the closet of any one of today's financial kingpins."

3) Yukos is a funder of the Yabloko Party, which joined with the Communist Party in last month's embarrassingly strong no-confidence vote against the Kasyanov government. It is widely discussed that Khodorkovsky is running a political gambit through Yabloko in this year's elections, aiming to create a bloc of his own the Duma—a plan that somebody may have decided to shoot down.

Mideast News Digest

U.S. Troops Raid Turkish Military Post In Iraq

U.S. troops arrested 11 Turkish soldiers in northern Iraq, in a military raid last Friday night, July 4, on the Turkish barracks, near Kirkuk, Iraq, triggering angry outbursts from the government in Ankara. Turkish Prime Minister Recep Erdogan called it "an extremely distressing incident" and said, "Such a development should not have occurred. This attitude of an ally country against its ally cannot be explained with any political style." Foreign Minister Abdullah Gul called Secretary of State Colin Powell to discuss the incident, and said afterwards, "I told him that it was unacceptable. It is an inappropriate incident. Such incidents between the two allied armies cannot be accepted."

Turkish newspapers were claiming that the U.S. raid was carried out on the basis of intelligence reports that some Turks were planning to assassinate the Kurdish governor of Kirkuk, a story which Erdogan angrily denied, calling the reports "nonsense." The Turkish deputy chief of staff issued a statement slamming the incident as a mistake that would affect U.S.-Turkish relations, which date back half a century. The Turkish Foreign Ministry called in the Undersecretary of the U.S. Ambassador in Ankara, and released a statement, reading: "In our contacts with Washington, we emphasized many times the immediate release of the Turkish soldiers, that the necessary measures be taken.... Any developments regarding the incident, that would have a possible impact on U.S.-Turkish relations will be followed very closely."

The Turkish military is said to be considering retaliatory actions to include closing Turkish airspace to U.S. military aircraft, denying the U.S. access to the Incirlik airbase, and sending more troops into Northern Iraq. The statement also asserted that the 11 arrested soldiers were in Iraq in coordination with the U.S. to monitor the situation in the north. The U.S. and Turkey agreed on April 10 on the deployment of Turkish monitors in Northern Iraq. The U.S. has issued no official statement, thus far, beyond a State Department acknowledgment of the Gul phone call to Powell, and a U.S. embassy official in Ankara telling reporters there, that the embassy was working on the release of the 11 soldiers.

In Break With Chickenhawks, Powell Says Stay Out of Iran

Secretary of State Colin Powell said that Washington should stay out of the "family fight" in Iran, in a July 3 interview with *WMAL Radio* in Washington, widely publicized by *IRNA*, the state news agency of Iran. Powell had the following to say about U.S. policy on Iran: "The best thing we can do right now is not get in the middle of this family fight too deeply. Remember that the President of Iran is freely elected. President Khatami was elected by his people, not in an American kind of election, but an election that essentially tapped into the desires of the people."

According to *IRNA*, "His remarks echoed a comment by Deputy Secretary of State Richard Armitage, who told the *Los*

Angeles Times that Iran was different because it was a democracy."

Reuters' coverage of Powell's remarks included the following statement: "A group of hawks close to the Bush Administration favors intervention to change the government in Tehran," which statement was followed by a further statement from Powell to the effect that the internal conflict in Iran should be allowed to play itself out. Powell: "I think it's best for us to see if this movement that is under way with people marching and expressing their views is enough to put pressure on the political part of the Iranian government, President Khatami, and then the religious part under [Supreme Leader Ayatollah Ali] Khamanei, to see whether this causes them to realize that they are going down a loser path."

The Iranian press agency also adds that Iran's UN Ambassador Mohammed Javad Zarif told *CNN* from Tehran, that his country wanted to reduce tensions with the U.S., but that any intervention into Iranian affairs would trigger a radical response from Iran.

Gen. Wesley Clark Demands U.S. Devise Iraq Exit Strategy

In a long op-ed published July 1 in the London *Times*, Gen. Wesley Clark went through the catalogue of problems in postwar Iraq, and posed the question of whether the war is winnable, and if so, at what cost? "Let's be realistic," he said: "measured against the objectives, we haven't done so well yet. Weapons of mass destruction have not yet been found.... We must continue the search...."

"As for regime change, Saddam and his sons no longer occupy their palaces or control the government. Yet their survival feeds fears of a Baathist return, sparks continued resistance, and undercuts efforts to establish new institutions.... Each unsuccessful week of effort reveals the limits of U.S. intelligence and influence, and each week is likely to see the Baathist resistance grow.

"Meanwhile a deeper, private struggle is ongoing between various factions in the Shia community.... The Shia issue is potentially the most explosive. If they are able to move together, they will dominate Iraq. But in the press here, we see only the barest surface ripples from the major movements underneath."

Clark says the Shi'ites could choose among several options, of working with or against the Baathists, or sit it out and wait for the U.S.-U.K. to leave. "Regardless of the twists and turns of internal Islamic activities, the outcome seems clear; the U.S. and the British will ultimately be invited to leave; how soon depends upon our effectiveness in the occupation. The manner of our departure may follow from a quiet series of meetings with Iraqi clerics, it may be in massive street protests that shut down commerce and traffic; or it may be punctuated by violence on a scale far greater than yet seen against Americans and the Iraqis who have cooperated with the coalition."

Then, Clark discusses the Kurds, who, if they try for independence, would trigger an Iranian and Turkish crisis.

"As for all those other grandiose dreams—transforming Arab society, inspiring democracy, finding the key to peace in the Middle East—well, it comes down first to whether we can handle the challenges of dealing with the here and now in Iraq. Success is not impossible, but it will be difficult, and it grows more so with each passing day." Clark says force strength is not the decisive factor: "It is simply not possible to maintain this occupation by force, even if we doubled the forces committed there. The actions against the Baathists—the sweeps, strikes and searches—risk the kind of popular ire that resulted in six British soldiers being killed near al-Amarah."

What is needed, is "to solve the mystery of the WMD, suppress the Baathist resurgence and hold Iraq together, leaving it self-governing in some semblance of secular democracy, secured by its own armed forces, free from domination by other

regional powers or terrorists."

This means working with Iraqi forces, building viable institutions, even including Baath Party elements, but maintaining control: "The art will be to govern fairly, to create common interests, and to lay in these early institutions the seeds for democratic, tolerant and limited government. There should be no democratic elections until much later."

Clark says tens of thousands of Iraqis must be recruited and trained for security, etc., and communications with the population must be improved.

"Do we have the staying power for what we're facing in Iraq? First, let's be honest with ourselves. We went into this mission with a myopic focus on the Iraqi threat—we underestimated the strength of the Baathists, inadequately anticipated the resistance during the fighting, underresourced the force required to deal with military 'success' and failed to plan fully how to create 'regime change.' The American and British public need to hear it from their leaders; they need to understand why these mistakes were made and see that those responsible are held accountable. And then we've got to persuade others to help us to shoulder these burdens—the mission is simply bigger than the U.S. and U.K. can handle. We should be asking the UN and other international institutions to take a greater role."

Battle of Al-Majar Under British Investigation

The recent battle in Al-Majar in southern Iraq, in which British soldiers died, was a much larger fight, and a British investigation of the incident has been initiated. The June 24 incident in Al-Majar, in which six British soldiers were killed and 12 injured—the worst single incident since the May 1 "end of major combat" declared by President Bush—is now under investigation by the British Army, reports the *Observer* June 29.

One major question is why the heavily armed and supplied Parachute Regiment, which was reportedly just outside the city, did not come to the aid of the besieged British Royal Military Police. "Why Were Six Britons Left to Die in an Iraqi Marketplace?" asks the headline of the *Observer* (the *Guardian's* Sunday edition). The report also says that five Iraq citizens were killed, and a dozen injured, including women and children, by the "Paras" who were in the town, but then escaped by helicopter, which came under heavy fire, injuring eight soldiers.

This incident has heaped more hatred on Tony Blair, who is already under intense criticism for his role in spreading false intelligence about the threat level from Iraq.

Abu Mazen Invited To Meet Bush at the White House

Palestinian Prime Minister Abu Mazen/Mahmoud Abbas has been invited to visit Washington in the coming days, a senior Palestinian official said. Abbas received the invitation on June 28 during a meeting with United States National Security Adviser Condoleezza Rice. Abbas accepted the invitation, which includes a meeting with President George W. Bush, the Palestinian official said in Jerusalem. On Sunday, in a meeting with Sharon, Rice also invited the Israeli Prime Minister to Washington for consultations.

Israelis Continue To Seize West Bank Land

On July 2, the same day that Israel turned over control of Bethlehem to Palestinian security services as stipulated in the Road Map for a Middle East peace, Israeli officials were seizing Palestinian land at the West Bank villages of Beit Eksa and Beit Souriq.

Palestinian Information Minister Yasser Abed Rabbo said Israeli Prime Minister Ariel Sharon was using the withdrawals from the Gaza Strip and Bethlehem as a cover to seize more land. "It's robbery. What they are doing is trying to practice ethnic cleansing on the outskirts of Jerusalem. When they steal the land of villagers, they tell them they have no future with nothing to live on. The Road Map says they should stop the confiscation of land, they should stop the demolition of homes, but all the Israelis do is talk of the difficult decisions they have to make."

The land being seized is near Jerusalem and is part of a land grab to expand the borders of the city deep into the West Bank. "There is a master plan, that doesn't have official status but is widely accepted, to create a Jerusalem metropolis," said Yehezkel Lein of the Israeli human rights organization B'Tselem. "Palestinians have been restricted from moving to Jerusalem since the 1990s, but they are bringing in more and more Jews with settlements."

New Party To Form in Israel To Promote Peace

A new Israeli social democratic party could be formed as early as mid-July. The party would be organized by the Meretz Party, which would then take on the name Tikva L'Yisrael or Hope for Israel. It would then invite other parties to join. The move could split the Labor Party, members of which are growing more and resentful of the rightwing leadership that has taken over the party since Amram Mitnza resigned the chairmanship.

Yossi Beilin, who left the Labor Party and joined the Meretz Party in the last election, will contest the election for chairman of the new party. He will bring his Sahar movement into the new party. The other contender for party chairman is Ran Cohen, who is a veteran member of the Meretz Party.

Beilin is pushing for the new party very hard as an attempt to revive the opposition to the Likud and other rightwing parties that have come to dominate the political scene.

Asia News Digest

Pakistan Chief of Staff hits U.S., Musharraf

General Mohammad Aziz Khan, the chairman of the Pakistan Joint Chiefs of Staff Committee, said on July 2 that the U.S. is "the number one enemy of the Muslim world and is conspiring against Muslim nations all around the world." He also attacked President Musharraf, without naming him, by saying that the politics should not be done in "uniform," a clear reference to Musharraf wearing two hats—those of President and Chief of Armed Services (COAS). A powerful section of the Pakistani Army, which Gen. Aziz represents, opposes Musharraf holding on to the COAS position.

Aziz's statement is particularly significant in light of the fact that Gen. Aziz, along with Lt. Gen. Mehmood Ahmed, then commander of 10 Corps, had played a stellar role in the coup against Prime Minister Nawaz Sharif in 1999 that brought Pervez Musharraf to power. Aziz's statement now indicates that the Mullah faction of the Pakistani army is up in arms against Musharraf for helping the United States to go after the pro-Taliban and pro-al-Qaeda terrorists. They are also worried that Musharraf is making a deal with President Bush in sorting out the Kashmir issue favorably for India.

Pakistan Agrees To Send Troops to Iraq

Pakistan President Pervez Musharraf, in Paris, told French President Jacques Chirac on July 3 that Pakistan has agreed in principle to send two Army brigades (this could add up to 10,000 troops) to Iraq, in response to Washington's request. Pakistan is the first nation of the subcontinent that has responded positively to the U.S. request. It is likely that Bangladesh may follow suit soon.

On the other hand, the Indian Foreign Secretary Kanwar Sibal, who is in Washington specifically to discuss the troop deployment issue, has informed the Bush Administration that India has not received requested clarifications on the troop deployment from Washington, and hence the issue cannot be decided now. A certain faction within India, it must be noted, is willing to send troops to Iraq to help the United States.

Trans-Korean Industrial Project Breaks Ground

The joint South-North ground-breaking ceremony for the Kaesong Industrial Complex in North Korea took place June 30 with the participation of some 320 leaders from South and North Korea. The Kaesong project is the "test case," on-the-ground industrial program for which the Seoul-Pyongyang "Kyongui Line" of the Trans-Korean Railway is being hurriedly reconnected. The ground-breaking ceremony, which has been scheduled and postponed half a dozen times in the last year, was another major milestone in Korean normalization. As with the June 14 reconnection of the railways, it is another step indicating that both Koreas have adopted Lyndon LaRouche's policy of "getting the physical economy moving together"—which actions make it increasingly difficult for the utopians to militarily attack North Korea.

The South Korean delegation, which includes Hyundai Asan chairman Chung Mong-hun, travelled to the North via the overland highway across the DMZ. The Kaesong industrial complex includes construction of an industrial park and a city surrounding the park in Kaesong City, 170 km south of Pyongyang and 70 km north of Seoul.

Samsung Institute: IMF 'Korea Model' in 'Freefall'

The Samsung Economic Research Institute (SERI) June 24 warned of a prolonged economic slump in Korea, such as those seen in Latin America, unless there is some "breath-taking momentum for growth." South Korea, billed as the IMF's "success story," after the 1997 Asia crisis, has since then subsisted on foreign hot-money inflows, and a huge new credit-card and mortgage-debt bubble, encouraged by the IMF. Now 15% of credit-card and mortgage-consumer debt is in default, and the hot money is leaving just as it came, thanks to the American Enterprise Institute's neo-con press campaign which has labelled South Korea unsafe for investment due to imminent threat of war.

"Facing a slew of contractions in various sectors, if the South Korean economy fails to find some breath-taking growth momentum, it could free-fall to underdeveloped-nation levels like Latin American economies did, unable to advance to become an advanced nation," SERI reported. The amount of individual debt hit a fresh high of 462.3 trillion won—almost U.S.\$400 billion—in March, up from 455.1 trillion won last December, the Bank of Korea reported June 24.

The reference, however, to "some breath-taking growth momentum" is important, as the LaRouche movement in Korea and Japan—including in discussions with the corporate sector—has been actively promoting just such a major jump in active construction of the Trans-Korean Railway and the Eurasian Land-Bridge as the only way out of Asia's economic mess.

Samsung's warning came as the Seoul government announced that GNP growth for 2003 will fall from the original prediction of 5% to under 3%, due in part to SARS but more to a "drastic slowdown in domestic demand," that is, the bankruptcy of the consumers.

Putin Offers To Host North Korea Talks

Russia's President Vladimir Putin June 21 repeated Moscow's pivotal call for a "security guarantee" for North Korea, first announced in April by Defense Minister Sergei Ivanov, and said that Russia is also willing to host talks in Moscow to address the nuclear standoff, reports *Radio Korea International* (RKI). In a *BBC* "Breakfast with Frost" interview, ahead of

a visit to London, Putin stressed that North Korea must become a member of the international community, adding that by doing so, it will be able to transform its national structure, its society, and the overall situation on the Korean Peninsula, *RKI* said.

On June 21, Putin also told a Kremlin news conference that "Pyongyang's interests should be taken into account in an attempt to solve the North Korean nuclear crisis peacefully—adding that North Korea should not be driven into a corner." While normally in negotiations, the interests of both parties are expected to be considered, the U.S. neo-cons have made clear that they are making unilateral demands on North Korea, not holding negotiations in which Pyongyang's interests need be taken into account. Putin, in pointing out that this is abnormal, is echoing similar criticisms of the neo-cons, coming from the U.S. Institute for Peace and other traditional diplomats in Washington.

Putin "stressed the necessity of guaranteeing Pyongyang its security in order to peacefully overcome the current crisis on the Korean Peninsula," *RKI* notes. "Putin noted that all six interested parties—the two Koreas, Russia, the United States, China, and Japan—should participate in multilateral talks. Russia says it supports both bilateral and multilateral talks on North Korea's nuclear issue." The Russian Foreign Ministry also said that the North's nuclear dispute must be resolved through dialogue, adding that direct talks between Pyongyang and Washington are most effective at the current stage. This later comment is another slap at the neo-cons, who are deliberately provoking Pyongyang by refusing bilateral talks no matter the context.

Malaysian Anti-Terror Center Proceeds Without U.S.

Malaysian Foreign Minister Syed Hamid Albar officiated at the opening of a new counterterrorism center on July 1, before an audience of more than 100 foreign diplomats and law enforcement representatives. Malaysia had agreed to host the center after President Bush mentioned the idea during last year's APEC forum, but Hamid made clear that the U.S. has no formal involvement, even if its expertise would be welcome. Hamid put it delicately: "It's not a question of excluding the U.S." He also said that opening the counterterrorism center did not mean foreign agencies would be setting up "bases" in Malaysia. He added that the center will be open to all 10 ASEAN members.

For now, Malaysia is providing the staff and paying the bills for the center, but other governments might be invited to help in funding and other future programs. The first event will be a discussion in August on terrorist funding and money-laundering.

Malaysian Plans To Begin Trade Based on Gold Dinar

Trade between Malaysia and Iran based on the gold dinar may begin as early as this year, as a first step in decreasing dependency on the U.S. dollar in international trade, Prime Minister Mahathir Mohamad said July 1, after opening an international convention on the currency. Mahathir proposed more than a year ago that the gold dinar be used for international trade to prevent a repeat of the currency crisis which devastated Asia in 1997-1998. The Malaysian Premier said that local gold prices would determine the exchange rate for the local currency against the dinar. Mahathir acknowledged that Malaysia was more enthusiastic about switching to the gold dinar than most other countries. "We are ready, but many other countries aren't. Maybe they don't quite understand the concept yet, or they find it hard to change existing systems," he said.

Besides Iran, Libya, Morocco, and Bahrain are also said to be interested.

Thai Authorities Step Up Pressure on Burmese Dissidents

Thai Prime Minister Thaksin Shinawatra warned Burmese dissidents in Thailand on June 30 that they face deportation if they continue protest movements on Thai soil against the Myanmar government. He added that he has lost patience with the dissidents. Thaksin spoke after calling on the UN High Commissioner for Refugees to work with Thai authorities to restrict the dissidents' movements to designated areas. The Thai government is disturbed that the dissidents, mostly self-exiled students, are given UNHCR refugee cards, but are otherwise not monitored. Some have turned to selling drugs.

Thai Foreign Minister Surakiart Sathirathai is to meet the UNHCR representative to discuss requiring government approval before distributing refugee cards. Some 1,500 cards have been issued, with no record of names or addresses. Surakiart said 17,000 foreign nationals, including Burmese, are in Thailand with no refugee cards, along with another 120,000 displaced people.

Africa News Digest

Bush Will Take Powell and Kansteiner to Africa

Colin Powell and Assistant Secretary of State for Africa Walter Kansteiner will accompany President Bush on his visit to five African countries July 7-12. Kansteiner is closely associated with the neo-conservative war party in the Administration. U.S. National Security Adviser Condoleezza Rice and White House Chief of Staff Andrew Card will also accompany the President.

News24, a South African news source, claimed June 30 that "Powell is seen as a key player in scheduled discussions on Zimbabwe after voicing criticism of South Africa's approach to the crisis in that country," referring to his June 24 *New York Times* op-ed.

Bush will be in South Africa July 8 and 9. He will hold one-on-one talks with President Mbeki followed by a meeting that will include Powell, Kansteiner, Rice, Card and South African Foreign Minister Nkosazana Dlamini-Zuma.

Resistance to Bush Administration and Neo-Cons in Africa

There is extensive resistance to the Bush Administration in Africa, on the eve of his visit there. A major issue thrown at President Bush—when he received African print journalists at the White House July 3—was, how does he propose to deal with the widespread loss of respect for the U.S. across Africa, engendered by the Iraq war?

Sentiment against the Bush Administration is particularly high in Nigeria, and in the first week in July, major press in Kenya, South Africa, Uganda, and Zambia also voiced negative views in their coverage of the Bush visit. There have been demos against the Bush visit in Nigeria and South Africa. Johannesburg's *Business Day* June 3 called Bush "a visitor with an agenda": "His hidden campaign is to promote privatization and deregulation." The July 3 *Cape Times* said that Washington's suspension of military aid to South Africa—because the government refused to give Americans immunity from prosecution by the International Criminal Court—simply "adds to the list of contentious issues between President Thabo Mbeki and the U.S. leader." South African political analyst Chris Landsberg reported that the most contentious issues would be Iraq and Zimbabwe.

It was "only President Yoweri Museveni and a few others who wrongly joined the pathetic 'coalition of the willing,' " Uganda's *Monitor* noted in a July 3 editorial. "When Bush arrives here next week we should emulate Mandela and give him the cold shoulder."

Zambia's daily, *The Post*, emphasized in a July 3 editorial that Bush *should* come because "He should experience at first

hand the terrible social deficit suffered by the countries of Africa. Perhaps the U.S. President is incapable of making such a small leap of empathy...." The *Post* says "the neo-conservative circle associated with the Bush Administration marks a further, still more dangerous assertion of an unapologetic imperial ambition."

Bush Again Calls on Liberian President To Step Down

President Bush repeated his call for Liberian President Taylor to step down, when he met with African journalists July 3 in the White House. He said, "I am in the process of gathering the information necessary to make a rational decision as to how to enforce the ceasefire.... Mr. Taylor must go. A condition for any progress in Liberia is his removal, in removing himself. And that's the message Colin [Powell] has taken to the UN and to Kofi Annan.... [T]oday there is a meeting with ECOWAS and... we had a meeting there with our military thinkers to determine feasibility, to look at different options. And they have yet to report back to the White House."

Secretary of State Colin Powell told reporters at the State Department July 3, "We believe stability will only come to the country with the departure of President Taylor. In some of the earlier negotiations that led to the [paper] ceasefire, he agreed that that would be an appropriate step to take, and we hope it's a step that he will take at the appropriate time. I think it is important for him to depart.... We'll be discussing [Liberia] among the national security team members today." Powell also said he would be in touch with UN Secretary General Kofi Annan "again today."

Pressure for U.S. intervention is coming not only from the UN, but also from Britain, France, and Africa.

Perhaps other steps are under consideration—to be taken in tandem with President Taylor stepping down and about 800 U.S. troops arriving—since it is necessary to prevent Taylor's warlord machine from being replaced by another, the so-called Liberians United for Reconciliation and Democracy (LURD). LURD is already within the suburbs of Monrovia. Condoleezza Rice told reporters July 3 that "very sensitive discussions were going on," according to *Reuters*.

The stepping down of President Taylor was made much more difficult by the June 4 unsealing of an indictment against him by the Special Court of Sierra Leone, for crimes against humanity committed in Sierra Leone. The Special Court draws personnel from the International Court of Justice at The Hague and others from Sierra Leone. But the decision to unseal was made by its Chief Prosecutor, former U.S. Defense Department attorney David Crane.

On June 4, Taylor was in Ghana for peace talks hosted by Ghanaian President John Kufuor—talks that included the Presidents of Nigeria and South Africa and aimed at the voluntary departure of Taylor at the end of his term in January. But the Special Court demanded that the government of Ghana arrest Taylor. The government had little choice but to refuse. Taylor had since then refused asylum in Nigeria, believing that he was not safe anywhere, except in power in Liberia. However, according to the July 7 *Washington Post*, he has indeed agreed to step down.

Zimbabwe Opposition Leader Cautious About U.S. Role

Zimbabwe's opposition leader, Morgan Tsvangirai, leader of the Zimbabwe oppositional Movement for Democratic Change, has urged the Bush Administration to tread lightly in coming to his aid. Tsvangirai claims to be developing a plan for a peaceful transition of power in Zimbabwe, according to the *New York Times* June 28. A transition, that is, to forces more friendly to Anglo-American interests. The *Times* adds, "But Mr. Tsvangirai also said the U.S. should not overreach in southern Africa as it pressures President Robert Mugabe to step down. Rather, he said, 'There must be a balance in how outside pressure can be applied,' an apparent acknowledgment that Tsvangirai's party remains vulnerable to Mr. Mugabe's charge that it is simply a puppet of Britain and the U.S."

The *Times* story is based on a telephone interview. "These are very delicate issues," Tsvangirai said in the interview. Tsvangirai's warning follows Colin Powell's June 24 op-ed in the *New York Times* saying Mugabe has to go.

South Africa Challenges U.S. on Zimbabwe

The South African Foreign Ministry has challenged the U.S. to improve on African leaders' approach to Zimbabwe. Speaking at a press conference in Pretoria June 29, South African Deputy Foreign Affairs Minister Aziz Pahad said, "The meeting with Bush will afford us an opportunity to brief the U.S. on what African leaders are doing to resolve the problem and what is being done to help Zimbabweans resolve their problems themselves." "I hope we can reach a common approach on Zimbabwe.... If there is another route, the Americans must put it on the table," Pahad said. Asked about Secretary of State Colin Powell's attack on the Mugabe government in his *New York Times* op-ed of June 24, Pahad replied, "I don't want to make a judgment on one interview (sic). There were many positive aspects to what the U.S. Secretary of State said."

South African President Thabo Mbeki, speaking to the press in Ocho Rios, Jamaica, July 1, was blunter. Asked specifically whether he would lean on Mugabe to hold elections to effect a transition of power, Mbeki replied, "That's their decision. The future of Zimbabwe needs to be decided by Zimbabweans."

Mbeki said, "It's incorrect really to be saying that we should stand outside the borders of Zimbabwe and decide what the Zimbabweans should do about their own country." He added that if South Africa and another country teamed up to decide policy for the United States, "Everybody would lock us up. They'd think we were crazy."

Recall that the Tony Blair government has attempted to bully the British Commonwealth organization to isolate Zimbabwe, and help overthrow Mugabe, but the nations of the Commonwealth successfully bucked London. The Bush Administration joined the British side, and took over the pressure and threats this spring, in tandem with British support for the Iraq war.

Nigeria Shut Down by Strike Against Fuel Price Hike

Nigeria was practically shut down beginning June 30, by the strike over President Obasanjo's 65% gasoline price hike by way of a drastic cut in subsidies. The strike is being spearheaded by the Nigeria Labour Congress (NLC).

Nigerian riot police stormed a major rally in Abuja June 30 and killed four protesters in a nearby village.

Addressing the protest from the roof of his car, NLC president Adams Oshiomhole said labor would not agree to a continued increase in prices of petroleum products in the country because the Obasanjo government had refused to make the country's refineries work. He claimed that a group of highly placed Nigerians were profiting from importation of the products into the country. He continued that "the government must make the refineries work so that Nigerians can have employment. We cannot use taxpayers' money to set up four refineries only to abandon them."

Police stormed another large labor rally in Abuja July 1, attacking workers with whips and rifle butts and beating up journalists from *AP* and *Vanguard*.

NLC vice president Onikoalese Irabor assessed the strike late on July 1: "The whole of Abuja is grounded. Most of the states are grounded. The airports are shut down. The sea ports are shut down. Oil workers are away from work. It is not only NLC that is on strike."

On July 2, to disperse protesters, Nigerian soldiers opened fire in Abuja's main market, injuring many.

A new round of negotiations between government and the NLC had began June 30. The main oil workers' union, PENGASSAN, raised the stakes July 1 by threatening a "total shutdown" of Nigeria's oil industry.

The spreading protests have cast a shadow over President Bush's upcoming visit to Abuja, *Reuters* notes.

Links to articles from *Executive Intelligence Review**.

[*Requires Adobe Reader®.](#)

Feature:

[SCIENCE FOR TEACHERS](#)

[Visualizing the Complex Domain](#)

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

I shall show here, that the unstated, but implied aspect of the charge which Carl Gauss delivered in 1799, against D'Alembert, Euler, and Lagrange, lies in the implication, that the latter were virtually Satanists; that, in the sense of the philosophical tradition of both the medieval William of Ockham and those founders of modern empiricism,

["Fight Fascism, the Way Franklin Roosevelt Did":](#)

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

Here are Mr. LaRouche's opening remarks to a LaRouche in 2004 campaign event, in Queens, New York on June 29, 2003.

Economics:

[Federal Infrastructure Plans Are Moved, To Save U.S. States](#)

[by Anita Gallagher](#)

When the first day of Fiscal Year 2004 opened for America's states at midnight on July 1, seven of the 50 states exploded financially, unable to patch together a budget, and facing mass layoffs and shutdowns in the immediate term.

[Nevada Out of Chips: An interview with Nevada State Senator Joe Neal.](#)

Nevada State Senator Joe Neal (D-North Las Vegas), a candidate for Governor in 2002 and a member of the Nevada legislature for 32 years, was interviewed on July 2 in Washington by Marcia Merry Baker.

[WSJ Editor Reveals Synarchist Plan for World Currency and Super-Bank](#)

[by Richard Freeman](#)

Wall Street Journal editor emeritus Robert Bartley, only three weeks after his angry editorial attack on Lyndon LaRouche for exposing the 'Straussian' fascist cabal in Washington, has used his Journal column to propose Synarchist measures for the economic collapse—a single, global central bank and a single world currency.

[EU 'New Deal' Launched: 'There'll Be a Fight'](#)

[by Claudio Celani](#)

Italy's Prime Minister Silvio Berlusconi presented the European Parliament with an anti-Depression 'New Deal' strategy for new transport, power,

and communications infrastructure across Europe, in an initiative of historic importance on July 2, as Italy began its six-month presidency of the European Union (EU).

Germany Needs a Minister Tremonti

by Rainer Apel

The snail's pace at which Germany's elites discuss and decide, is a household commonplace throughout Europe, and the German way has negatively affected European affairs.

What Nuclear Power Gives to the General Welfare: An interview with Dr. Nils Diaz.

by Marsha Freeman

No issue of public policy in this country has been more contentious, more beleaguered by public ignorance, more tortured by an aggressive, well-financed disorganizing campaign, than nuclear power. It is incredible that this technology, which was largely developed in the United States, and extensively commercially deployed over two decades, has become almost extinct in terms of future growth.

International:

Indian Prime Minister in China: 'A Good Beginning'

by Mary Burdman

China and India are, as China's Prime Minister Wen Jiabao noted recently, the two ancient world civilizations, whose populations now are two-fifths of mankind. These two giant nations, with many-thousand-year histories, tend to think in terms of generations when making policy—which today, embodies many of their ancient values.

Top Cleric: U.S. Can't Write Iraq Constitution

by Muriel Mirak-Weissbach

The fatwa, or religious edict to Iraqi Muslims, issued from Najaf by Grand Ayatollah Sayyid Ali Husaini Sistani on June 30, called for there to be no revolt against U.S. and British occupying forces, but that it is illegitimate for the U.S. occupying force to supervise the establishment of a council, for the purpose of creating an Iraqi constitution.

Blair Fights One War Too Far—At Home

by Mark Burdman

The strains at the highest levels of the British political establishment reached such intensity during the last week of June, that two of the U.K.'s most powerful institutions, the Prime Minister's 10 Downing Street and the government-owned British Broadcasting Corporation (BBC), engaged in open political warfare.

Mexico: Synarchists Flip Over LaRouche Expose'

by Gretchen Small

One can imagine what kind of wild pressure, from very high places, it would take to drive a Mexican political party, with only six days to go before a major election, to shut off the electricity and telephone service to its own gubernatorial candidate's campaign office, lock the doors, and denounce the candidate as a cultist at a well-attended press conference—despite the candidate's acknowledged success in grabbing local attention on issues of vital interest to the electorate!

National:

Congress Now Has a Map To Look for Cheney's Role in Iraq Intelligence Scam

by Edward Spannaus

A series of interviews with former Ambassador Joseph C. Wilson, the last chargé d'affaires in Iraq before the 1991 Gulf War, and an op-ed written by him in the *New York Times*, all appearing on July 6, bring to a new level the evidence about the role of Vice President Dick Cheney in

manipulating the U.S. Congress, U.S. intelligence agencies, and the United Nations, in order to start an early war against Iraq.

Cheney, Fraud, and CIA: Not Business As Usual

by Ray McGovern

This column was originally published in the Hartford Courant of Connecticut on June 27. Ray McGovern, a CIA analyst from 1964-90, regularly reported to the Vice President and senior policy-makers on the President's Daily Brief from 1981-85.

Profile: Aaron Friedberg

Cheney Adds China-Basher To National Security Staff

by Mike Billington

As of June 1, Professor Aaron Friedberg, who heads Princeton University's Center of International Studies, moved to the White House on a one-year contract to work as Vice President Dick Cheney's Deputy National Security Advisor with a focus on China. As EIR reported on June 8, Friedberg is a notorious China-basher, a founding member of the neo-conservative 'Project for a New American Century' (PNAC), and one of Leo Strauss's 'Ignoble Liars.'

'Synarchism-Nazi/Communism': Michael Ledeen Demands 'Regime Change' in Iran

by Scott Thompson

We have already crossed the Rubicon. We are already in Hell. World War III in Eurasia is already ongoing. There was not an Iraq war; there is a continuing Iraq war. There was not an Afghanistan war; there is a continuing Afghanistan war. There's already an onset of a war with Iran, being run covertly, as a covert operation, from the United States, in Iran right now! You see it on the television screens here. That is not a spontaneous student movement. That is a U.S.-run destabilization of Iran, trying to set up the conditions for a war.

This Week in History

IN CONGRESS, JULY 4, 1776

The unanimous Declaration of the thirteen united States of America

When in the Course of human events it becomes necessary for one people to dissolve the political bands which have connected them with another and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. --That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, --That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn that mankind are more disposed to suffer, while evils are sufferable than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security. --Such has been the patient sufferance of these Colonies; and such is now the necessity which constrains them to

alter their former Systems of Government. The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid world.

He has refuted his Assent to Laws, the most wholesome and necessary for the public good.

He has forbidden his Governors to pass Laws of immediate and pressing importance, unless suspended in their operation till his Assent should be obtained; and when so suspended, he has utterly neglected to attend to them.

He has refused to pass other Laws for the accommodation of large districts of people, unless those people would relinquish the right of Representation in the Legislature, a right inestimable to them and formidable to tyrants only.

He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their Public Records, for the sole purpose of fatiguing them into compliance with his measures.

He has dissolved Representative Houses repeatedly, for opposing with manly firmness his invasions on the rights of the people.

He has refused for a long time, after such dissolutions, to cause others to be elected, whereby the Legislative Powers, incapable of Annihilation, have returned to the People at large for their exercise; the State remaining in the mean time exposed to all the dangers of invasion from without, and convulsions within.

He has endeavoured to prevent the population of these States; for that purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their migrations hither, and raising the conditions of new Appropriations of Lands.

He has obstructed the Administration of Justice by refusing his Assent to Laws for establishing Judiciary Powers.

He has made Judges dependent on his Will alone for the tenure of their offices, and the amount and payment of their salaries.

He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people and eat out their substance.

He has kept among us, in times of peace, Standing Armies without the Consent of our legislatures.

He has affected to render the Military independent of and superior to the Civil Power.

He has combined with others to subject us to a jurisdiction foreign to our constitution, and unacknowledged by our laws; giving his Assent to their Acts of pretended Legislation:

For quartering large bodies of armed troops among us:

For protecting them, by a mock Trial from punishment for any Murders which they should commit on the Inhabitants of these States:

For cutting off our Trade with all parts of the world:

For imposing Taxes on us without our Consent:

For depriving us in many cases, of the benefit of Trial by Jury:

For transporting us beyond Seas to be tried for pretended offences:

For abolishing the free System of English Laws in a neighbouring Province, establishing therein an Arbitrary government, and enlarging its Boundaries so as to render it at once an example and fit instrument for introducing the same absolute rule into these Colonies

For taking away our Charters, abolishing our most valuable Laws and altering fundamentally the Forms of our Governments:

For suspending our own Legislatures, and declaring themselves invested with power to legislate for us in all cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our seas, ravaged our Coasts burnt our towns, and destroyed the lives of our people.

He is at this time transporting large Armies of foreign Mercenaries to compleat the works of death, desolation, and tyranny, already begun with circumstances of Cruelty & Perfidy scarcely paralleled in the most barbarous ages, and totally unworthy the Head of a civilized nation.

He has constrained our fellow Citizens taken Captive on the high Seas to bear Arms against their Country, to become the executioners of their friends and Brethren, or to fall themselves by their Hands.

He has excited domestic insurrections amongst us, and has endeavoured to bring on the inhabitants of our frontiers, the merciless Indian Savages whose known rule of warfare, is an undistinguished destruction of all ages, sexes and conditions.

In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury. A Prince, whose character is thus marked by every act which may define a Tyrant, is unfit to be the ruler of a free people.

Nor have We been wanting in attentions to our British brethren. We have warned them from time to time of attempts by their legislature to extend an unwarrantable jurisdiction over us. We have reminded them of the circumstances of our emigration and settlement here. We have appealed to their native justice and magnanimity, and we have conjured them by the ties of our common kindred. to disavow these usurpations, which would inevitably interrupt our connections and correspondence. They too have been deaf to the voice of justice and of consanguinity. We must, therefore, acquiesce in the necessity, which denounces our Separation, and hold them, as we hold the rest of mankind, Enemies in War, in Peace Friends.

We, therefore, the Representatives of the United States of America, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be Free and Independent States, that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full Power to levy War, conclude Peace contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do. --And for the support of this Declaration, with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.

--John Hancock

New Hampshire:

Josiah Bartlett, William Whipple, Matthew Thornton

Massachusetts:

John Hancock, Samuel Adams, John Adams, Robert Treat Paine, Elbridge Gerry

Rhode Island:

Stephen Hopkins, William Ellery

Connecticut:

Roger Sherman, Samuel Huntington, William Williams, Oliver Wolcott

New York:

William Floyd, Philip Livingston, Francis Lewis, Lewis Morris

New Jersey:

Richard Stockton, John Witherspoon, Francis Hopkinson, John Hart, Abraham Clark

Pennsylvania:

Robert Morris, Benjamin Rush, Benjamin Franklin, John Morton, George Clymer, James Smith, George Taylor, James Wilson, George Ross

Delaware:

Caesar Rodney, George Read, Thomas McKean

Maryland:

Samuel Chase, William Paca, Thomas Stone, Charles Carroll of Carrollton

Virginia:

George Wythe, Richard Henry Lee, Thomas Jefferson, Benjamin Harrison, Thomas Nelson, Jr., Francis Lightfoot Lee, Carter Braxton

North Carolina:

William Hooper, Joseph Hewes, John Penn

South Carolina:

Edward Rutledge, Thomas Heyward, Jr., Thomas Lynch, Jr., Arthur Middleton

Georgia:

Button Gwinnett, Lyman Hall, George Walton

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