



**Electronic Intelligence Weekly**  
**Online Almanac**  
Volume 1, number 24  
[return to home page](#)

August 19, 2002

**THIS WEEK YOU NEED TO KNOW**

**LaRouche Responds to Waco Fantasy Forum**

**LaRouche on the Urgent Revival of Infrastructure — Through Large-Scale Public Works Projects**

On Wednesday, August 14, *EIW* founder and 2004 U.S. Presidential pre-candidate Lyndon LaRouche, told associates in Los Angeles, California, that the recent economic fantasy-forum held in Waco, Texas, requires LaRouche's personal leadership in steps toward launching a desperately needed fight for economic recovery.

LaRouche proposed that the first step, at this moment, should be immediate Federal action to protect the functioning of the air-transportation and railway systems from further collapse, placing both under Federal protection measures, including a restoration of regulatory measures, and using Federally guaranteed credit for renewal, modernization, and expansion of track and essential rolling stock. This action must be taken now, in recognition of the fact that both these elements of basic national economic infrastructure are indispensable to maintain even a minimally acceptable level of U.S. national security.

LaRouche explained that these immediate emergency actions should be considered as a leading edge of a national economic recovery program, mobilized to resist the presently onrushing general monetary-financial and economic collapse, and to maintain and increase levels of employment. All categories of basic economic infrastructure, such as mass transportation, power generation and distribution, national water management, health care, and education, should be among the areas for counter-depressionary emergency measures.

LaRouche emphasized that in Europe, the recent rejection of the Maastricht Stability Treaty's rules against public infrastructural investment, on the part of leading ministers in the Italian government, and a similar tendency in Germany, would not have been possible, except for the leadership which LaRouche is providing. LaRouche's leadership is changing the world.

The overall urgent need to revive American infrastructure, centers on key national infrastructure projects, such as water, power, and transportation, and under the latter: air, rail, and port development. Education is a key issue that is actually handled at the state level, but requires Federal backing. A kind of "Hill-Burton" approach to the education crisis, as well as the crisis in health care, is urgently needed at this time.

Power, water, and transportation are all areas of priority Federal action. There must be a large-scale public-works approach to these matters, with the additional feature of public assistance to regulated private-sector utilities. The approach should be modelled on the Reconstruction Finance Corporation of Jesse Jones (as opposed to Jesse Jackson) under President

Franklin Roosevelt. We will provide a modern version of the FDR approach.

People are looking for the national and international solutions to problems that they increasingly see are insoluble under any other terms.

From across the Atlantic, the campaign for German Chancellor by Lyndon LaRouche's wife, Helga Zepp-LaRouche, a German national, and a leading German political figure in her own right, has met a like standard of leadership, especially for Germany and Europe generally. On Aug. 15, Zepp-LaRouche spoke out on the flood damage ravaging Europe, in statement issued from Berlin, entitled "Fight the Flood Catastrophe with the Lautenbach Plan; Put the Maastricht Treaty Out of Commission, Immediately." Zepp-LaRouche is chairwoman of Bürgerrechtsbewegung Solidarität (BüSo) party, and its lead candidate for the upcoming Bundestag elections in Germany. The statement reads:

"To repair the damage, estimated at billions of euros, caused by the flood of the century, especially in Bavaria and Saxony, as quickly as possible, and to help the affected families in rebuilding their homes, we must immediately launch the measures proposed by German economist Dr. Wilhelm Lautenbach in the early 1930s. The Lautenbach reforms were intended for grave emergency situations, such as an economic depression, a period immediately following a war, and the most severe natural catastrophes. The 400 million euros in aid promised so far, are at best "peanuts," and will simply amplify the fears of the persons affected in earlier floods, that they will be left alone in their misery.

"In such a catastrophe, the necessary reconstruction can only be initiated with a policy of **productive credit generation**, as Lautenbach proposed it in the fall of 1931, to actively fight the world depression, a policy later successfully implemented by President Franklin Delano Roosevelt in the U.S.A. Even current Chancellor Schröder had to concede, during his visit to the region, that the financial aid offered so far will be insufficient. His remarks, that the necessary means cannot be mobilized in the framework of the 'Maastricht criteria,' have my full support. But I call on him, urgently, to draw the correct conclusions from this recognition, and initiate, together with European partner countries, such as Italy and France, the immediate repeal of the Maastricht 'stability pact.' I had rejected the stability pact from its very beginning, and have actively fought it ever since.

"In the European capitals—Berlin included—people have been thinking about how to bypass the 'Maastricht criteria' for quite some time. The Italian government just decided to officially put up for discussion the guidelines of the 'stability pact'; Italy's Minister for Finances and Economics Giulio Tremonti, and some of his colleagues in the Cabinet, have been demanding, in recent days, to change the 'direction' of this pact, and, above all, take the urgently required *infrastructure investments* out of this straitjacket for Europe's economy—and its citizens.

"Of course, the suspension of the Maastricht Treaty, as well as the possible mobilization of the Frankfurt Kreditanstalt für Wiederaufbau, in issuing **project-related credits** for the creation of productive jobs, can only be a first step. After all, the entire world economy is in the end-phase of a **systemic crisis**, which can only be overcome, if the hopelessly bankrupt financial system—including the Maastricht 'stability pact'—is thoroughly reformed and replaced by a **New Bretton Woods**. The small-minded approach for overcoming the flood catastrophe shows again, that **bold** new ideas are needed in German politics. 'I know what has to be done!' "

## ***FLASH!***

The main feature in the first issue of the new Macedonian magazine *Manifest* is an exclusive interview with Lyndon LaRouche, which we reproduce here in full. *Manifest*, which hit the streets and newspaper stands of Macedonia on Aug. 15, also elaborates the main issues associated with LaRouche, from the New Bretton Woods to the Eurasian Land-Bridge to his intervention on Middle East. The magazine also reprints lengthy quotes from Helga Zepp LaRouche on Friedrich

Schiller in her text, "Why Are We Still Barbarians?" The interview we reproduce here, was given by LaRouche from Wiesbaden, Germany on July 25. The interviewer was Umberto Pascali.

## **Lyndon LaRouche Interview Is - - Main Feature in New Macedonian Magazine**

Q: In the last few days, we've seen a very sharp collapse in the Wall Street stock market, which confirms what you have been saying for many years. So this is not a disaster, but indeed it is an opportunity. Can you explain for our readers what is really happening now and, above all, what should happen.

LAROUCHE: What is happening now is a general breakdown of a system, which has developed internationally over a period of about 35 or more years. This was a change from the United States in particular, and also the United Kingdom, from a production-oriented society to an imperial consumer society—that is, relying more and more on getting, at reduced prices, material from overseas, from cheap labor, rather than producing it ourselves. In this process, what has happened is that we have built up a gigantic financial bubble internationally. This bubble is now disintegrating.

Nothing could be done to save the present monetary and financial system—in its present form. So the only thing that we can do, which is politically feasible at this time, is to compare the success of the Roosevelt recovery and the relative success of the postwar reconstruction up until the middle of the 1960s, with the degeneration which exploded from 1971 on, with the changed Bretton Woods system of today. Therefore, as a practical matter, we have to go back to the period of the depression of 1929-1933 where, for different, but for somewhat similar reasons, the world had a depression. We are now going into a depression which is far worse—it's already on, and it is far worse than 1929-33. This depression has been in full effect since the spring of the year 2000. It has been going on for almost two years already. We're now going into a deeper phase of a worldwide economic depression caused by a monetary-financial system that has failed.

So under those circumstances, the only remedy that will work, that is also politically feasible, is to restore the model of international monetary-financial system that existed between 1945 and 1958 in Europe, the United States, Japan, and so forth. To restore that kind of system, but we also have to put the entire system through bankruptcy reorganization, because we have hundreds of trillions of dollars of valuation of debt outstanding, but a total world product that is only estimated to be 40-odd trillion dollars. So you've got hundreds of trillions of dollars of obligations, on the record and off the record, which are now crushing down on a collapsing world physical economy, and obviously, the only thing that you can do is to put the system through financial bankruptcy, in which we will over the course of time, write off most of that financial debt as worthless debt, and consolidate the remaining amount of debt to an amount that we can manage.

It is just like a bankruptcy reorganization. That is the only solution. And we are at the danger point, where if we do not solve this financial crisis, those forces behind the financial crisis are going to plunge us into a general world war, possibly beginning as soon as the August-October period.

Q: So is there is a direct relation between the status of this financial bubble and the strategic situation?

LAROUCHE: Absolutely. This is what has been said plainly by the U.S. Defense Secretary, Donald Rumsfeld. He has said, don't worry about the financial crisis, we are going into a new period of war. And people are talking about this war as lasting as long as 100 years. They call it "perpetual war"—a long war—a "war against terrorism"—they call it by many names. But this is to change the social and political institutions of the world, with use of military force and terror, as a way of dealing with a financial crisis. In other words, set up a dictatorship, in the same way that Adolf Hitler did in the 1930s, as a way of dealing with a financial crisis.

Q: How is the collapse of this bubble going to affect the Balkans and Macedonia in particular? Is this going to change the

attacks against the country's national sovereignty and territorial integrity? Will this affect the potential new war adventure in the Balkan area? And even more: if the "LaRouche recipe" —the New Bretton Woods and the Land Bridge projects —would become U.S. policy and would be endorsed by a coalition of countries in the world, how fast and how directly could this change the situation in the positive? Can you explain how this mechanism could work?

LAROUCHE: Well, it is very simple in a sense. It can change very rapidly, because on the day that we actually make a statement among a number of countries that we're going to do a reorganization of this type, you can immediately put into operation certain mechanisms of economic recovery. Most of the immediate measures which would cause a growth of employment —which, of course, is crucial for any recovery —would be in basic economic infrastructure. Now, therefore, take the case like the Balkans, the area below the Danube, all the way down to the Mediterranean, and the Black Sea, and the Adriatic. This whole area, while it is composed of different states, has a certain integral characteristic —geographic and otherwise. Thus, in this region, large-scale infrastructure development projects, of the type that we proposed in the European Productive Triangle program, that kind of approach could go into effect immediately, if international institutions —that is, governments —came to an agreement with Balkan governments, to share a general development program on developing roots of transportation, power generation and distribution, water management, and also use these as development corridors for concentration of industrial development. Under those conditions, we could have an immediate change in direction of the economic situation in the Balkans, and also the political situation.

Q: And would this also change this dangerous countdown toward a possible new confrontation with Albanian minorities which risks to be repeated in Macedonia? According to all indications, the Anglo-American forces, the so-called International Community, is continuing to favor the pro-KLA policy and to pressure Macedonia to give up progressively any vestige of national sovereignty and territorial integrity. These forces are pushing for the creation of a full-fledged protectorate. And more, in general, we are witnessing the elimination of sovereignty in virtually every country in Southeast Europe. Will the "LaRouche Recipe" have a direct consequence on this?

LAROUCHE: Yes it will! Take for example the Albanian problem. The Albanian problem would not be the problem that it is, if it had not been developed as a problem by especially the British and U.S. circles. So, in this area, these circles created a destabilization force, a permanent destabilization factor. If the United States and Britain, under pressure from the countries in this area or from Europe, were to stop this operation, then you would have less capability for continuing this kind of destabilization. So obviously, there is a relationship; it is not a simple, direct relationship, but my view is that if you have agreements among nations, both in the Balkans and in neighboring countries, for a certain policy of stability, based on economic growth —reconstruction —that those political forces will find efficient ways to control problems like that one.

Q: Your name has recently popped up quite a few times in Macedonia in particular, lately in the form of a bizarre approximation of a slander by some figures, a gentleman who insists that the Macedonia leadership is so bad that they "read LaRouche." Obviously, after several interviews with you both in TV and printed media your name is quite well known in Macedonia, and people, including young people, want to know more about your ideas and your proposals. Many are asking: What can Macedonia do in this situation? What can the government of Macedonia do? The apparent paradox is that you represent in economic and philosophical terms the American system that emerged from a revolution against the British colonial empire, but the official U.S. now is acting in opposition to those original American principles, including in disregarding Macedonia's rights as a sovereign nation. You are the America many people in the world would like to be the official America. How to help the real America to emerge? How can this historic paradox be solved?

LAROUCHE: Well, it depends on who is President of the United States. It also depends on other things as well. But, the United States government has been at times my friend, and at times it has acted as my enemy. For example, I got along well with some people at various points —not that we agreed —but we had correct relations, we talked to each other, we found points of common agreement, and we proceeded on that. For example, the SDI, and other things —I agreed upon with President Reagan during the period that he and I were cooperating. We didn't agree on the economic policy, we

disagreed on a lot of other things. But we had relations which were proper and decent relations. Now we also had, to a certain degree, proper and decent relations with President Clinton, and with many political figures in the United States. So the answer is that I represent a certain tradition in U.S. history which can be traced from Benjamin Franklin, through John Quincy Adams, Abraham Lincoln and Franklin Roosevelt—that's called the American Patriotic Tradition. We have also in the United States, an opposite view, which has always been of the opposite view since 1763. So there are two forces in the United States, I represent one, and some of the other fellows in government represent the other, and the other guys do not come out and honestly debate me, they simply rely on spreading slander and misinformation and threats.

So if you know that, that answers the question. The other guys obviously fear me. In the United States, those forces are probably more afraid of me personally than any other individual. So far, even though they have tried to assassinate me a couple of times, and it didn't come off—officially even, by official agencies—but, on the other side, many people who would like to have me dead, don't want me to be a martyr, so they don't kill me, but they do everything else they can to possibly embarrass me.

Q: The Prime Minister of Macedonia, in a recent speech, said that Macedonia wants to have direct relations, sovereign nation to sovereign nation, with other countries in the area, including Albania, without supra-national "mediation" or control. Your analysis on this very point also has circulated in Macedonia. Especially the idea to restore the Peace of Westphalia model: a community of sovereign nations collaborating for the common good and the mutual development. What can you say about these statements coming out from Macedonia?

LAROCHE: Well, I think that the point is, that the obvious thing is that the fact that the government of Macedonia has made such a statement is very useful. Now, the question is, how do you follow up on it? Well, the government can in its own way, approach other governments and try to suggest this idea to them.

They can also do something else, they can have a private political initiative, which involves people who are from the various countries, who start a continuing dialogue on that theme—with the intent that that dialogue could become, not diplomacy directly, but implied diplomacy. Where sometimes you can't negotiate directly, diplomatically, certain things, but you can do indirect diplomacy: having representatives from various countries meet to discuss, and if they are intellectually influential people, who meet to do these discussions, then their ideas about cooperation can become generally accepted among the official forces. And then you can reach an official agreement. I think that that is what has to be done.

I think that the statement by the Prime Minister is extremely useful. It should be followed up, encouraged and supported and broadcast—that is, make sure that it is known—and also say, well, while he is doing that, shouldn't some other private people from the various countries have some kind of a continuing forum where the discussion of the implementation of such a program could be carried forth? And hope that that forum will become an intellectual influence to bring about the result which is proposed.

## U.S. ECONOMIC/FINANCIAL NEWS

### U.S. BANKRUPTCIES SOARING AS ECONOMY TANKS

#### Aerospace in Tailspin as Bankruptcies Hit Airlines

The aerospace industry is struggling with the ripple effect generated by the recent bankruptcy of **U.S. Airways**, the potential impending bankruptcy of **United Airlines**, the 9% cut in operating capacity of **American Airlines**, and the acute contraction of the airline industry as a whole (see INDEPTH for additional coverage).

The Evendale, Ohio-based **GE Aircraft Engines**, a subsidiary of **General Electric**, announced that airline engine deliveries are down 15-20% this year, and probably will be down by a similar percentage next year. GE Aircraft Engines spokesman Rick Kennedy stated that this division recently sent a letter to employees warning of new job cuts by the end of the year. "We don't know how many yet. We know we have ... 18 months where it's going to be tough." During October 2001, GE Aircraft Engines already announced that it would cut 4,000 jobs, or 13% of the workforce.

Two of the leading divisions of **United Technologies**— **Hamilton Sundstrand**, which makes parts and systems for the airline industry, and **Pratt & Whitney**, which makes jet-engines— have been struggling. United Technologies announced it plans to cut 5,000 jobs during 2002.

**Boeing Corp.**, the largest aircraft-maker in the world, has slashed its jet-plane production this year to half the level it produced during 2001.

## **U.S. Corporations Set Bankruptcy Record in 2002**

Assets in bankruptcy this year to date have now surpassed the previous record of \$258.6 billion set for all of 2001, BankruptcyData.com reported Aug. 14. However, that dollar figure involved 255 publicly traded companies in the United States. Three of the 10 largest-ever bankruptcies have been declared in 2002: **WorldCom, Inc.**, \$103.9 billion in assets, when it filed in July, beat the previous record set by **Enron Corp.**, at a mere \$63.3 billion. **Global Crossing, Ltd.**, \$25.5 billion, filed in January.

## **Individual Bankruptcies Top Record-Breaking Year**

New data released Aug. 14 by the American Bankruptcy Institute reveal that not one, but two new bankruptcy-filing records were set, highlighting especially the surge in individual bankruptcies. The new records set are: 1) with 1,505,306 million new bankruptcy filings by individuals and corporations combined, from June 30, 2001 to June 30, 2002, it is the first time filings totalled over 1.5 million in a 12-month period; and 2) the 400,686 new filings in the second quarter of 2002 added up to the highest single quarter in the history of bankruptcy recordings. This is also the second year in a row of record-breaking filings.

Of the 1.5 million new cases, an incredible 1.47 million were individuals. This is an 8.6% increase over 2001. The corporate bankruptcy filings rose to 39,201 year-over-year, a 5.6% jump from June 2001, which included the three biggest-ever (see previous item).

## **And More U.S. Companies Are Now on the Verge of Bankruptcy**

Likely to soon join the previously mentioned corporate leaders in bankruptcy:

**United Airlines**, the second-largest air carrier, warned last week that it will file for bankruptcy within 30 days, unless granted concessions from contractors, employees, and creditors, to cut costs to win the Federal government's approval for a \$1.8-billion loan guarantee, as the company faces \$875 million in debt payments coming due in the fourth quarter, with "insufficient access to the public capital markets to repay" the debt.

**Dynegy**, the Houston-based energy trader, said it may file for bankruptcy if the \$928-million sale of its Northern Natural Gas pipeline to Warren Buffett's Berkshire Hathaway, is not completed by the end of the month.

**Conseco**, the once-high-flying financial-services firm, which posted a \$1.3-billion quarterly loss, due to a \$2.95-billion writedown in assets, said that its accounting was under investigation by the Securities and Exchange Commission. The company, with \$6.5 billion in debt, said the SEC probe focusses on events around the spring of 2000, after it acquired **Green Tree Financial Corp.**, which specialized in high-risk consumer loans for mobile homes, which became a burden as loan default rates rose.

## POP GOES THE BUBBLE

### Job Cuts, Store Closings, Corporate Losses Continue

**IBM** announced it is cutting 15,600 more jobs, of which, 14,213 are in services and 1,400 from its microelectronics business.

**Ames Department Stores** is closing all 327 stores; 22,000 employees laid off, following its bankruptcy filing in August 2001.

**AOL Business Affairs** unit Director David M. Coburn— architect of "unconventional" advertising deals with eBay online auctioneer, and others, which are now under Federal investigation— was locked out of his office on Aug. 9. AOL refused to state Coburn's employment status.

**Sir Rupert Murdoch's News Corp.** recorded a net loss of \$1.74 billion for the period ending June 30, compared to a loss of \$265 million for the same time last year. Included in the loss was a charge of \$1.9 billion writedown on News Corp.'s stake in **Gemstar-TV Guide**. News Corp.'s net loss for the full fiscal year was \$5.27 billion, compared to a net loss of \$445 million in 2001. Murdoch's **Fox Entertainment Group** recorded net income of \$40 million, or \$.05/share, ending June 30, down 77% from \$.24/share same time in 2001.

### U.S. Steel Pension Fund Slammed by Stock-Market Meltdown

U.S. Steel's pension fund has plunged into the red, as a result of big stock-market losses. The news is rocking the steel industry, where it has been axiomatic that U.S. Steel was immune to the pension and legacy problems of other companies, and could therefore play a leading role in the restructuring (takedown) of the industry.

The company in its second-quarter report reported an estimated \$400-million shortfall in the pension fund attributed to losses on the stock market.

### U.S. Corn and Soybean Harvest Devastated by Drought

U.S. corn and soybean harvests will plunge to mid-1990s levels due to the fierce drought, which has struck much of the Midwest farmbelt. Parts of Nebraska, the third-largest corn state, have the worst drought since records began nearly a century ago. Eight states, which produced 72% of last year's corn crop, are experiencing serious drought. The Aug. 12 crop projection for this year's harvest, by the U.S. Department of Agriculture, is for 8.886 billion bushels of corn, down 6.5% from last year, and at a level of 1995; and for 2.628 billion bushels of soybeans, the smallest crop since 1996.

At the same time, Canadian wheat production is at its lowest level in more than a quarter-century, because of the drought over the Prairies. "A very real tragedy," says Greg Arason, of the Canadian Wheat Board.

Also affecting U.S. agriculture: Global wheat prices are expected to rise 20%, as the huge food cartels make a killing, and seize greater domination of food production. Higher food prices, and more consolidation in the food chain ahead, can be expected to follow from the drastic drop in corn, soybeans, and wheat output in North America, unless there is government intervention. For example, animal feed accounts for two-thirds the expense of producing a hog. Smithfield Foods Inc., already the world's largest hog producer and processor, expects to gain more market domination, because smaller outfits will not be able to withstand the sharp rise in feed costs, and will shut down.

Most of U.S. sweetener is corn-based, dominated by Cargill and ADM, which are positioned to gain from passing on costs as food price inflation. Domestic processors are now lining up what they expect will be scarce supplies, cutting out foreign purchasers.

## **WORLD ECONOMIC NEWS**

### **BIS Warns of Dangers of Asset Bubbles; Echoes LaRouche on 'Bretton Woods Regime'**

In its latest "Working Paper No. 114," headlined "Asset prices, financial and monetary stability: exploring the nexus," the Basel, Switzerland-based Bank for International Settlements (BIS) calls on central bankers to rethink monetary policy and recognize that fighting asset-price bubbles is at least as important as fighting inflation.

After examining periods of financial bubbles in the last 100 years, the rather technical paper notes that—contrary to the liberal dogma that bubbles can never be identified before they have burst—there are indeed clear indicators for emerging bubbles, such as "sustained rapid credit growth combined with large increases in asset prices." In a thinly disguised swipe at U.S. Federal Reserve chairman Alan Greenspan, the BIS notes that once such indicators show up, central bankers, by failing to act, can create long-lasting problems: "Lowering rates or providing ample liquidity when problems materialize, but not raising them as imbalances build up, can be rather insidious in the longer run. They promote a form of moral hazard that can sow the seeds of instability and of costly fluctuations in the real economy."

Arguing that monetary policy can become a driver for financial instability, the BIS, known as the "Central Bank of Central Banks," also reviews the most important monetary regimes of the recent century. Echoing the words of Lyndon LaRouche, whose call for a New Bretton Woods system is well known in Europe, it notes that only under "the Bretton Woods regime" was there, at least for a while, "monetary and financial stability." This was not only the result of fixed exchange rates as such, but even more important of the accompanying "complex web of regulations" and "financial repression," which helped to constrain cross-border and foreign-exchange transactions. Due to financial deregulation and liberalization following the dismantling of the Bretton Woods system, "financial instability has re-emerged as a major policy concern."

### **Vivendi Posts \$12-Billion Loss; Downgraded to 'Junk Status'**

The disintegration of the world's second largest media company, the French-based Vivendi Universal, has begun. The company posted \$12.2 billion in losses in the first half of the year Aug. 14, and needs a \$10-billion emergency liquidation of assets to survive the next few months. By spending \$77 billion on takeovers, former chief executive Jean-Marie Messier transformed the company from a 149-year-old established utility, into a rival of "new economy" giants like AOL Time Warner. Now that rivalry is of another kind: Vivendi is competing to post the biggest losses in corporate history. For the year 2001, Vivendi had already reported a colossal 13.6-billion-euro loss.

Even more worrying than these, are the short-term cash problems at the company. The new CEO Jean-Rene Fourtou, in a conference call Aug. 14, admitted a "liquidity problem," while Finance Director Jacques Espinasse said the company would have \$5.5-billion refinancing requirements by the end of the year. In order to get cash, Vivendi is negotiating a \$3-

billion credit facility with its banks, and plans to sell at least 10 billion euros' worth of assets. However, the question arises, who, under present market conditions, would be crazy enough to give cash for worthless assets? As a consequence, Standard & Poor's downgraded Vivendi's credit and debt ratings to "junk status." Vivendi stocks the same day slid 20%, and were suspended from trading. Vivendi is the worst performing stock in the Dow Jones Euro Stoxx-50 index this year.

### **Dollar Skids Again vs. Yen, Euro; Fed Policy 'Worst of All Worlds'**

Led by a sharp jump in the yen, the dollar weakened across the world Aug. 14, after the Federal Reserve's decision to leave interest rates unchanged. Dealers said the Fed's acknowledgment of economic risks ahead, while doing nothing about it, has eroded confidence that there will be a recovery in the United States. The dollar is at its weakest point against the yen in a month: Y116, down from Y120 earlier this month.

Japan's top currency diplomat, Haruhiko Kuroda, was quoted in *Jiji Press* calling the rapid yen rise inappropriate. According to one European bank, the slide in the dollar has prompted the Bank of Japan to telephone foreign-exchange desks to check currency rates, which often precedes intervention. "Word is going around from bank to bank," said one banker, that "BOJ is checking rates and advising people not to go home short."

"The Fed's statement is the worst of all worlds really, in that they're warning of the risks, but not prepared to do anything," said one trader. "The question arises that when they do, it might be too late." The U.S. Treasury also made a very large \$20.3-billion coupon payment for August, and Japanese investors own some 11.5% of Treasury debt, so a lot of that is being sold for yen and repatriated to Japan.

Bank of Japan Governor Masaru Hayami, in an Aug. 13 Tokyo press conference, failed flagrantly in an attempt to talk up the dollar, reversing his previous comments about the currency's inevitable blowout. "The dollar is the key currency in the world," and "Everyone wants to hold dollars," Hayami announced. He said he was still confident that, barring unforeseen events, the dollar would remain firm. Hours later, the dollar collapsed.

### **Bank of Japan: Weak Dollar Undermines Hope of 'Recovery'**

After five months of happy talk about "recovery" reports, the Bank of Japan said, in its Aug. 12 monthly statement, that Japan's economy "may already be losing momentum," due to the coming collapse of the U.S. dollar and markets. "Uncertainty regarding external conditions seems to have increased further," the BOJ wrote, due to the weak dollar and the collapse in global demand for IT goods. "Under these circumstances, it should continue to be heeded that further destabilization in the foreign-exchange and financial markets at home and abroad could easily exert a negative influence on the economy.... There is little momentum for a self-sustainable economic recovery in Japan," the bank admitted.

Indeed. Japan has only barely kept itself above water via a boom in exports to Asian countries that have been experiencing a temporary influx of hot money, due to the collapse of the U.S. stock bubble. This obviously can't last long. Japan's current-account surplus for January-June grew by a record 52%, the government announced Aug. 12, to \$67 billion, due mostly to a 39% rise in the trade surplus to \$49 billion. While imports slid, due to falling demand in Japan, exports to the rest of Asia rose 6%, covering a drop in shipments to the U.S. and Europe.

### **Mass Layoffs Hit Israel's High-Tech and Telecom Sectors**

Comverse, one of Israel's largest telecoms, announced another 600 layoffs, one-fifth of the company's workforce, and the third such announcement in the past year.

"The company has a regular drill for mass layoffs—a team of paramedics is brought in to deal with employees who faint, and the doors to the top floor of the building are locked so that the desperados can't get to the roof," says an un-named employee at the company.

Comverse is not alone: ECI Telecom is axing 220 jobs, after having already dismissed 1,500 employees in the last 18 months. Amdocs—the same company that was accused of spying for the Mossad—recently fired 900 employees. In the past period, 16,000 of the 80,000 high-tech workers lost their jobs.

Meanwhile, Israeli Military Industries is expected to lay off 1,000 workers, one-third of its workforce, and close down several factories.

## **WORLD ECONOMIC NEWS**

### **BIS Warns of Dangers of Asset Bubbles; Echoes LaRouche on 'Bretton Woods Regime'**

In its latest "Working Paper No. 114," headlined "Asset prices, financial and monetary stability: exploring the nexus," the Basel, Switzerland-based Bank for International Settlements (BIS) calls on central bankers to rethink monetary policy and recognize that fighting asset-price bubbles is at least as important as fighting inflation.

After examining periods of financial bubbles in the last 100 years, the rather technical paper notes that—contrary to the liberal dogma that bubbles can never be identified before they have burst—there are indeed clear indicators for emerging bubbles, such as "sustained rapid credit growth combined with large increases in asset prices." In a thinly disguised swipe at U.S. Federal Reserve chairman Alan Greenspan, the BIS notes that once such indicators show up, central bankers, by failing to act, can create long-lasting problems: "Lowering rates or providing ample liquidity when problems materialize, but not raising them as imbalances build up, can be rather insidious in the longer run. They promote a form of moral hazard that can sow the seeds of instability and of costly fluctuations in the real economy."

Arguing that monetary policy can become a driver for financial instability, the BIS, known as the "Central Bank of Central Banks," also reviews the most important monetary regimes of the recent century. Echoing the words of Lyndon LaRouche, whose call for a New Bretton Woods system is well known in Europe, it notes that only under "the Bretton Woods regime" was there, at least for a while, "monetary and financial stability." This was not only the result of fixed exchange rates as such, but even more important of the accompanying "complex web of regulations" and "financial repression," which helped to constrain cross-border and foreign-exchange transactions. Due to financial deregulation and liberalization following the dismantling of the Bretton Woods system, "financial instability has re-emerged as a major policy concern."

### **Vivendi Posts \$12-Billion Loss; Downgraded to 'Junk Status'**

The disintegration of the world's second largest media company, the French-based Vivendi Universal, has begun. The company posted \$12.2 billion in losses in the first half of the year Aug. 14, and needs a \$10-billion emergency liquidation of assets to survive the next few months. By spending \$77 billion on takeovers, former chief executive Jean-Marie Messier transformed the company from a 149-year-old established utility, into a rival of "new economy" giants like AOL Time Warner. Now that rivalry is of another kind: Vivendi is competing to post the biggest losses in corporate history. For the year 2001, Vivendi had already reported a colossal 13.6-billion-euro loss.

Even more worrying than these, are the short-term cash problems at the company. The new CEO Jean-Rene Fourtou, in a conference call Aug. 14, admitted a "liquidity problem," while Finance Director Jacques Espinasse said the company would have \$5.5-billion refinancing requirements by the end of the year. In order to get cash, Vivendi is negotiating a \$3-

billion credit facility with its banks, and plans to sell at least 10 billion euros' worth of assets. However, the question arises, who, under present market conditions, would be crazy enough to give cash for worthless assets? As a consequence, Standard & Poor's downgraded Vivendi's credit and debt ratings to "junk status." Vivendi stocks the same day slid 20%, and were suspended from trading. Vivendi is the worst performing stock in the Dow Jones Euro Stoxx-50 index this year.

### **Dollar Skids Again vs. Yen, Euro; Fed Policy 'Worst of All Worlds'**

Led by a sharp jump in the yen, the dollar weakened across the world Aug. 14, after the Federal Reserve's decision to leave interest rates unchanged. Dealers said the Fed's acknowledgment of economic risks ahead, while doing nothing about it, has eroded confidence that there will be a recovery in the United States. The dollar is at its weakest point against the yen in a month: Y116, down from Y120 earlier this month.

Japan's top currency diplomat, Haruhiko Kuroda, was quoted in *Jiji Press* calling the rapid yen rise inappropriate. According to one European bank, the slide in the dollar has prompted the Bank of Japan to telephone foreign-exchange desks to check currency rates, which often precedes intervention. "Word is going around from bank to bank," said one banker, that "BOJ is checking rates and advising people not to go home short."

"The Fed's statement is the worst of all worlds really, in that they're warning of the risks, but not prepared to do anything," said one trader. "The question arises that when they do, it might be too late." The U.S. Treasury also made a very large \$20.3-billion coupon payment for August, and Japanese investors own some 11.5% of Treasury debt, so a lot of that is being sold for yen and repatriated to Japan.

Bank of Japan Governor Masaru Hayami, in an Aug. 13 Tokyo press conference, failed flagrantly in an attempt to talk up the dollar, reversing his previous comments about the currency's inevitable blowout. "The dollar is the key currency in the world," and "Everyone wants to hold dollars," Hayami announced. He said he was still confident that, barring unforeseen events, the dollar would remain firm. Hours later, the dollar collapsed.

### **Bank of Japan: Weak Dollar Undermines Hope of 'Recovery'**

After five months of happy talk about "recovery" reports, the Bank of Japan said, in its Aug. 12 monthly statement, that Japan's economy "may already be losing momentum," due to the coming collapse of the U.S. dollar and markets. "Uncertainty regarding external conditions seems to have increased further," the BOJ wrote, due to the weak dollar and the collapse in global demand for IT goods. "Under these circumstances, it should continue to be heeded that further destabilization in the foreign-exchange and financial markets at home and abroad could easily exert a negative influence on the economy.... There is little momentum for a self-sustainable economic recovery in Japan," the bank admitted.

Indeed. Japan has only barely kept itself above water via a boom in exports to Asian countries that have been experiencing a temporary influx of hot money, due to the collapse of the U.S. stock bubble. This obviously can't last long. Japan's current-account surplus for January-June grew by a record 52%, the government announced Aug. 12, to \$67 billion, due mostly to a 39% rise in the trade surplus to \$49 billion. While imports slid, due to falling demand in Japan, exports to the rest of Asia rose 6%, covering a drop in shipments to the U.S. and Europe.

### **Mass Layoffs Hit Israel's High-Tech and Telecom Sectors**

Comverse, one of Israel's largest telecoms, announced another 600 layoffs, one-fifth of the company's workforce, and the third such announcement in the past year.

"The company has a regular drill for mass layoffs— a team of paramedics is brought in to deal with employees who faint, and the doors to the top floor of the building are locked so that the desperados can't get to the roof," says an un-named employee at the company.

Comverse is not alone: ECI Telecom is axing 220 jobs, after having already dismissed 1,500 employees in the last 18 months. Amdocs— the same company that was accused of spying for the Mossad— recently fired 900 employees. In the past period, 16,000 of the 80,000 high-tech workers lost their jobs.

Meanwhile, Israeli Military Industries is expected to lay off 1,000 workers, one-third of its workforce, and close down several factories.

## **UNITED STATES NEWS DIGEST**

### **LaRouche Calls on President Bush To Overturn Ban on DDT**

*The following statement was released Aug. 16 by LaRouche in 2004, the Presidential campaign committee of Lyndon H. LaRouche, Jr.*

Lyndon LaRouche, pre-candidate for the Democratic Party Presidential primary in 2004, today called for overturning the ban on DDT, in the public-health fight to repel the West Nile and other mosquito-borne disease vectors.

LaRouche said, "The banning of DDT was always based on scientifically fraudulent assertions. And there's no reason that the President of the United States should not intervene now, to force through measures to re-introduce DDT. Maybe the United States isn't producing it any more, but other countries are. I, personally, call on the President of the United States to take necessary measures to overturn the banning of DDT, taking into account the fact that the argument for banning it was always fraudulent. We can not kill people for the sake of condoning a fraud— as we should have learned from the Enron case."

As of August, 38 of the continental states report the presence of West Nile virus in mosquitoes. The Gulf Coast states are the hardest hit by infection and deaths. Mosquitoes flourish in the Gulf sub-tropics, and, in recent years, health measures have been drastically cut under the budgetary constraints in Louisiana, Mississippi, and nearby states, and by lack of Federal public-health infrastructure.

The use of the pesticide DDT, developed in the 1940s, was banned in the United States in 1972, based on fraudulent claims that it caused harm to the environment. In fact, it is rightly regarded as the most life-saving man-made chemical in history, during the decades of its concerted use. Today, over 200 million new cases a year of malaria occur, in the absence of DDT to fight insect-borne diseases. (A review of the DDT story appeared in "Environmental Hoaxes Kill; Save the Earth with Technology," *21st Century Science & Technology*, fall 1992.)

### **West Nile Virus Spreading Rapidly Across USA; Mosquito Eradication Urgent**

With a new case of West Nile virus reported in New York City, and one confirmed in Colorado last week, the total number of states with active West Nile virus is now 38. The Federal Centers for Disease Control's West Nile virus (WNV) expert Lyle Petersen insists mosquito-control efforts could have a "major blunting effect on this epidemic." The LaRouche-affiliated publications *EIR*, *New Federalist*, and *21st Century* have for years called for eradication of mosquito infestations by restoring the use of DDT spraying, and LaRouche himself has issued an urgent call on President Bush to do so (see

above).

As of Aug. 17, the number of deaths from WNV had reached 11, with two new fatalities, one in Louisiana, the epicenter of the outbreak, and the second in Illinois—the first outside the Southern states this year.

CDC's Petersen expects a sharp rise in the number of cases this year. Nationally about 230 cases of the diseases have been reported in 13 states, with 147 cases in Louisiana, and 48 in Mississippi. The Centers for Disease Control says that 1,000 known cases may be expected this year, under current trends. The main reason CDC expects a rise, is because this year's outbreak came three weeks earlier than last year's incidents.

The virus first arrived here in 1999. West Nile is also spreading among animals: On Aug. 16, the Wyoming Department of Health confirmed that a horse who died in the state this year, was stricken by the West Nile virus.

Petersen made it clear that the outbreak is totally unnecessary and due to neglect. "This is a classic case of an ignored problem that has now resurfaced. Over the last few decades, mosquito-borne disease was not thought to be a problem any more." Other mosquito-borne diseases are threatening the U.S. too, including dengue fever.

### **Lieberman Calls for Worldwide Ban on DDT, in Midst of Disease Outbreak**

Senator Joe Lieberman (D-Conn) is actively promoting a renewed effort to have the United Nations oversee a worldwide ban on the use of the pesticide DDT, according to a UPI commentary by Gordon S. Jones, published on Aug. 11.

Lieberman's legislative history reflects the fact that he shares his former running mate Al Gore's genocidal commitment to anti-scientific environmentalism, in which crackpot hoaxes, such as the alleged threat of DDT, are embraced, in the face of incontrovertible evidence that they have led to the death of millions of human beings.

### **Both Parties Will Take the Hit for Economic Collapse, Come Election Day**

Which party will take the hit for the economic collapse, come Election Day? asks an article in the Sunday *New York Times* "Week in Review" section Aug. 18. And the answer seems to be that both will, the way they are currently operating.

Both parties (counting the Democratic Leadership Council as part of the Democratic Party) thought they'd benefit from the spread in stock ownership, says author Richard Stevenson.

For the Republicans, they face the greatest risk. "Republicans thought the investor class would be their savior," says Marshall Wittmann. "Instead, it's become the bane of their existence."

But, says the author, the market's swoon holds perils for the Democrats as well; "it could recast the boom of the 1990s, during President Bill Clinton's Administration, as more of a speculative bubble than the payoff for prudent policies like balancing the budget."

Clinton's former chief of staff Leon Panetta says that normally the party in power takes the biggest hit, but he then adds that "the question then becomes how do Democrats deal with this issue, and I don't think they have quite figured out any kind of strategy other than to attack the other side."

### **Top GOPers Break Ranks with Bush Over Iraq Strategy**

Leading Republicans are losing faith in the Bush Administration's openly mooted plans for an Iraq war, and speaking out against the Administration, the *New York Times* wrote Aug. 16. In an extensive summary of the opposition among members of the President's party, the *Times* says that leading Republicans in Congress, the State Department, and former Administrations "have begun to break ranks with President Bush over his Administration's high-profile planning for war with Iraq." They charge that the Administration "has neither adequately prepared for military action nor made the case that it is needed." These senior Republicans include former Secretary of State Henry A. Kissinger and Chairman of the President's Foreign Intelligence Advisory Board Brent Scowcroft, who also served as former President Bush's National Security Adviser. According to the *Times*, "All say they favor the eventual removal of Saddam Hussein, but some say they are concerned that Mr. Bush is proceeding in a way that risks alienating allies, creating greater instability in the Middle East, and harming long-term American interests. They add that the Administration has not shown that Iraq poses an urgent threat to the United States."

Secretary of State Colin L. Powell reportedly met with Kissinger on Aug. 13, during which meeting it was, according to the *Times*, decided to "focus international discussion on how Iraq would be governed after Mr. Hussein ... as a way to outflank Administration hawks and slow the rush to war, which many in the Department oppose...."

Meanwhile, Scowcroft penned an op ed for the Aug. 16 *Wall Street Journal* in which he warned that an attack on Iraq "at this time would seriously jeopardize, if not destroy, the global counter-terrorist campaign we have undertaken."

As the *Times* notes, Scowcroft is extremely close to the senior Bush, and therefore, his views would tend to have some weight with the President.

Other recent dissenters from the ranks include Lawrence S. Eagleburger, another former member of the Bush I team, and Rep. Dick Arney (R-Texas), the House Majority Leader.

### **George H.W. Bush vs. George W. Bush? Maureen Dowd Thinks So**

It's Bush 41 against Bush 43— at least, that's the picture that columnist Maureen Dowd paints in the *New York Times* Aug. 18, in her column "Junior Gets a Spanking."

Whereas the line-up warning against a war with Iraq includes Bush I confidante Brent Scowcroft, and Secretary of State Colin Powell (head of the JCS under Bush I), Dowd writes, the man who was supposed to be the younger Bush's surrogate father, Dick Cheney, brought in Donald Rumsfeld, "an old rival of Poppy's" (i.e., the first President Bush). Rumsfeld in turn brought in Paul Wolfowitz and Richard Perle, whom Dowd terms two of the most belligerent voices in favor of a war.

As for Scowcroft, Dowd says what others have been saying since Scowcroft's op-ed appeared in the *Wall Street Journal* last week, namely: "No one who knows how close Mr. Scowcroft is to former President Bush believes he didn't check with Poppy first. Did 41 allow his old foreign policy valet to send a message to 43 that he could not bear to impart himself?" While Bush I may not want to impose on his son's prerogatives, he "must be fed up with being his son's political punching bag," taking the hit for failing at everything from tax cuts to Iraq.

As for the split between the "worldly realists" of Bush I and the belligerent ideologues of Bush II, Dowd quotes a Bush I official as saying: "The father and Scowcroft were about tying the coalition and the New World Order with a neat little bow. Wolfowitz and Perle are: 'We're the new sheriff in town. We'll go it alone.' "

### **Rumsfeld Claims a Growing Cruise Missile Threat**

Secretary of Defense Donald Rumsfeld has sent a classified memo to the White House warning that the spread of cruise missile technology is a growing threat and efforts to defend against them need to be intensified, according to the *Washington Post* Aug. 18.

Current missile defense programs focus primarily on ballistic missiles, which arc through the sky to high altitudes before coming back down to Earth. Cruise missiles, on the other hand, are much smaller and cheaper, and fly very close to the ground, making them much more difficult to detect. Rumsfeld's memo claims that such weapons, carrying nuclear, chemical, or biological warheads, can pose a direct threat to the United States. Most such weapons, however, are very-short-range anti-ship missiles, and only a few nations possess cruise missiles that can be used against land targets.

What is likely to be the actual agenda comes up only at the end of the *Post* article, and that is to tighten up the Missile Technology Control Regime, which is supposed to apply to both ballistic and cruise missiles, but has only been enforced with respect to ballistic missiles. This, according to the *Post*, has allowed countries to hide missile programs behind legitimate aircraft purchases or manufacturing programs.

### **Lieberman Wants Gore To Make Up His Mind**

Former Democratic Vice Presidential candidate Joe Lieberman is growing impatient, waiting for Al Gore to make up his mind whether he will run for President in 2004, or not, Fox News reported Aug. 17. Lieberman had pledged not to run if Gore does, but he is being urged by some supporters to withdraw that promise, and run for the Democratic nomination, regardless of Gore's plans. One of Lieberman's aides told Fox News that "even a Rabbi gave him a Talmudic justification to get out of the pledge."

### **Record Drought Ravages Half of U.S. States**

As of the end of July, 49% of the contiguous states of the Union were in conditions of moderate to extreme drought, according to a July 14 report by the National Climatic Data Center of the National Oceanic and Atmospheric Agency (NOAA). The report is based NOAA's Palmer Drought Index, which measures drought severity. Many states are setting records for lack of rain. The last 12 months were the driest on record for four Southeastern states: Georgia, South and North Carolina, and Virginia— and two Rocky Mountain states: Colorado and Wyoming. Many others report their second- or third-driest year ever.

The Agriculture Department reports that more than 75% of range and pasture land in the West is in poor to very poor condition, in five states: Nebraska, Colorado, California, Wyoming, and South Dakota. Wildfires are continuing in many locations in the West; more than 4 million acres had burned in the United States by the end of July. NOAA expects the current *El Niño* conditions present in the equatorial Pacific to persist through the end of this year, into early 2003.

### **First Successful Maglev Test at Virginia's Old Dominion University**

The first propulsion test of American Maglev Technology, Inc. (AMT), at Old Dominion University in Virginia, was successful, when its test vehicle "levitated, moved forward about 200 feet, stopped, and moved in reverse, several times at a rate of four miles per hour," said an ODU spokeswoman. The test project, operated between AMT, ODU, and Lockheed Martin, has a 45-foot vehicle, is capable of carrying up to 100 people, and will run on a 3,400-foot track. AMT president Tony Morris hopes, eventually, to attract support and investors for AMT to build a 193-mile maglev system between Hampton Roads, Va., and Washington, D.C., which he hopes will make the trip in 90 minutes, and would be completed in the year 2007.

## **Amtrak Cancelled More Than One-Fifth of its Trains in Northeast Corridor**

During the course of the past week, Amtrak cancelled more than 20% of its trains in the Northeast Corridor, reducing the number of train departures from 116 to 92 daily. The reduction stemmed from the discovery of cracks in the yaw damper portion of the shock absorption system of the locomotives in 18 high-speed Acela Express trains, as well as in 15 conventional non-high-speed High Horse Power (HHS) trains. All 33 train sets' locomotives have been taken out of service. Amtrak scrambled to borrow locomotives from New Jersey Transit and from Maryland's MARC train system, but could not come up with sufficient locomotives to run the full menu of trains. Some of Amtrak's 10,000 daily passengers have been stranded, or forced onto slower trains.

The condition of Amtrak is prompting some to see that is essential vastly to upgrade the transportation system. However, improving Amtrak's tracks would cost billions of dollars, and to make the necessary upgrade to a magnetic levitation system— which would transform the productivity of the U.S. economy— would cost more than \$100 billion just for the Northeast corridor. Instead, because it is starved for cash, Amtrak has cannibalized its operating subsidy to pay for essential repairs. Amtrak has asked for \$1.2-\$1.5 billion from the U.S. government for fiscal year 2003 (which starts Oct. 1, 2002) just to make minimal capital investments and keep operating. But the free-marketeers in Congress and the Administration have so far agreed to only \$521 million.

To go beyond piecemeal solutions, it is necessary to consider Lyndon LaRouche's proposal to completely rebuild and upgrade the nation's transportation system.

## **IBERO-AMERICAN NEWS DIGEST**

### **Brazil Presidential Candidates Not Secure Behind IMF Deal**

With the creditors' euphoria already having dissipated over the IMF's \$30-billion bailout of Brazil— less than one week after its announcement Aug. 7— the pressure is coming down from Wall Street and London on Brazil's Presidential candidates to put their signature of support onto the IMF deal. London's *Financial Times* went so far as to declare that either the candidates do so, or Brazil's country risk rating will remain at the unsustainable level of 2,200 basis points, which will force Brazil to default. President Fernando Henrique Cardoso has announced he will hold a personal meeting with the leading Presidential candidates on Aug. 20, to convince them to come on board.

Attention is focusing especially on Ciro Gomes, the candidate of the Popular Socialist Party, running on a slate called the Workers Front; he is running second in the polls. Gomes has stated that Brazil had no choice but to go to the IMF, but he is not happy about it. Various Brazilian newspapers reported Aug. 15 that Gomes's responses to questions from 35-40 businessmen and bankers, during a luncheon organized by Vicunha Textil executive Ricardo Steinbruch, left the bankers' crowd worried that Gomes' actions would not be predictable, when it came to the markets. "I haven't been domesticated," he answered to one, and at another point reportedly stated that he would "cut off my hand before I'd sign with the bankers"— despite his simultaneous repeated assurances that he would never declare unilateral bankruptcy, and had never broken a contract in his life. Gomes has said that a "voluntary" renegotiation of Brazil's debt will probably be necessary.

In a speech before 700 retired officers at the Air Force Club in Rio de Janeiro on Aug. 8, Gomes declared that he was "shocked" at the IMF deal, and he considered it a "disaster for the country.... Do we have to celebrate the fact that Brazil increased its debt by \$30 billion, and not to invest in popular houses or nuclear submarines?" The accord "was done to finance the bankruptcy of public and private credit... The same type of accord was done in 1998." Gomes said that he opposed an accord which he considers "the handing over of Brazil's fate to international capital... I will take the Presidency back from the bankers, in order to hand it over to the service of those who work, of those who produce."

## **Venezuelan Supreme Court Defies Chavez, Says Accused Military Upheld Constitution**

A majority of the Venezuelan Supreme Court issued a 67-page decision on Aug. 12, overturning the charges of military rebellion that the Hugo Chavez government had levelled against four prominent military officers, and giving President Chavez a black eye in the process. The four officers had been accused of trying to illegally arrest Chavez, during last April's clashes between pro- and anti-government forces, and of trying to overthrow his government. The officers' defense was that Chavez had, in fact, resigned, according to the then-Defense Minister; that they were carrying out their Constitutional duty in occupying the Presidential building to facilitate an orderly transfer of power; and that there was no uprising of the military that could be defined as a coup, attempted or otherwise.

They also declared that their refusal to deploy troops against civilian opposition forces, as ordered by Chavez, was based on Constitutional grounds, which the Supreme Court magistrates apparently also agreed with. The Court vote, 11 to 8 against the indictments, was declared irreversible.

The decision was issued while the Supreme Court hall was surrounded by National Guardsmen. Chavez forces which had gathered in the thousands in anticipation of the vote, attempted to storm the building when they learned of the final decision, but were stopped by the tear gas and plastic bullets of the National Guard. This repulse of the Chavista mobs is a first, and has forced these Jacobins into at least a temporary retreat. Since his foolish televised rant Aug. 11, threatening to shut down the Court if it voted against him, Chavez has stayed restrained and quiet.

The pro- and anti-Chavez forces in the country remain on a collision course, but the immediate threat of a military uprising of some sort if the Supreme Court to knuckled under to Chavez's threats, is averted. At this point, a Supreme Court investigation of Chavez for "crimes against humanity," sought by the families of victims who were killed last April by Chavez's crazed mobs, is now on the opposition's agenda.

## **Tax 'Reform,' High Unemployment, Factors in Building Venezuelan Social Explosion**

The Chavez-dominated Venezuelan National Assembly approved the government's tax-reform package in the first round of discussion on Aug. 1. If, as expected, the bill jumps through all the requisite legislative hoops, the value-added tax (VAT) would rise from 14.5% to 16%, with all but a few of the current exemptions eliminated. As an example, the tax on electricity and agricultural products, will rise to an intolerable 16%! The banking debit tax is also to be raised from 0.75% to 1%. The latter is not minor: Every time someone writes a check, or makes a bank withdrawal, he or she must pay a tax of 1% on the amount of the transaction.

The head of the Fedecameras business federation opposed the reform's passage, warning that it could provoke a gigantic social explosion, because it hits most harshly on neediest. The poor have already seen their economic situation deteriorate due to the inflation resulting from the 70% devaluation of the currency, so far this year. The Venezuelan Central Bank says inflation rose by 16.9% between January and July, or an annualized rate of 22%.

According to the government's statistics, over half (50.6%) of the Venezuelan population work in the "informal sector," i.e., selling gadgets on the street, or working off-the-books wherever they can scramble a job. More than 15% of the population was officially unemployed in May.

## **U.S. Hypocrisy on Human Rights in Colombia**

In a striking policy reversal, and one that reeks of hypocrisy, the U.S. State Department is asking the Colombian

government to provide immunity against extradition for U.S. military personnel in Colombia, who might be caught violating human rights. After years of subjecting the Colombian Armed Forces to vicious human-rights slanders, which prevented them from receiving funds to fight counterinsurgency— which would have put the narcoterrorist FARC out of business long ago— the State Department is now demanding that its own people be protected from human-rights charges— by Colombia, no less!

In a press conference in Bogota Aug. 14, following a meeting with the new Colombian government, U.S. Undersecretary of State for Political Affairs Marc Grossman asked newly inaugurated Colombian President Alvaro Uribe to sign an agreement that would grant U.S. nationals in Colombia immunity from prosecution by the International Criminal Court (ICC) on human-rights grounds. Under Bush's anti-terrorism legislation, and because Bush has refused to sign the ICC Treaty, the U.S. government is obliged to cut off military aid to countries that have ratified the treaty, unless they grant the immunity pledge Grossman is demanding. Colombia has little choice but to agree, but is planning to hold Congressional hearings before issuing a formal decision.

Hypocrite of the Day: Sen. Patrick Leahy (D-Vt.), the prime mover behind imposing human rights conditionalities on U.S. aid to Colombia, announced his support for the immunity waiver demanded by Grossman, in order "to protect Americans against political prosecution" by the ICC.

### **Colombian President Declares 90-Day 'State of Internal Commotion'**

Responding to the dramatic escalation of violence in Colombia since his inauguration a mere four days earlier, which has already claimed 115 lives, newly inaugurated President Alvaro Uribe Vélez Aug. 12 declared a temporary, but renewable, "state of internal commotion"— stronger than a "state of emergency" (which usually addresses a natural or economic disaster). The declaration, which states it is being made in response to the FARC's "regime of terror," gives Uribe certain powers, without suspending Constitutional guarantees, one of which is to levy a 1.2% war tax on the wealthiest class in the country (above a certain income level). This would be expected to yield \$780 million for immediate deployment into an expanded military and police capability. Other powers would include restricting citizen movements, detaining suspects without judicial warrants, and limits on the media.

### **Fox Cancels Meeting with Bush in Protest Over Execution**

President Vicente Fox of Mexico has cancelled a planned week-long visit to Texas later this month, which was to include a several-day visit with President George W. Bush at the Crawford ranch. Fox cancelled the trip to protest the execution a few days ago in Texas of Javier Suarez Medina, who may have been a Mexican citizen. The execution has caused a tremendous ruckus in Mexico, and Fox is responding to this turmoil.

## **IBERO-AMERICAN NEWS DIGEST**

### **Brazil Presidential Candidates Not Secure Behind IMF Deal**

With the creditors' euphoria already having dissipated over the IMF's \$30-billion bailout of Brazil— less than one week after its announcement Aug. 7— the pressure is coming down from Wall Street and London on Brazil's Presidential candidates to put their signature of support onto the IMF deal. London's *Financial Times* went so far as to declare that either the candidates do so, or Brazil's country risk rating will remain at the unsustainable level of 2,200 basis points, which will force Brazil to default. President Fernando Henrique Cardoso has announced he will hold a personal meeting with the leading Presidential candidates on Aug. 20, to convince them to come on board.

Attention is focusing especially on **Ciro Gomes**, the candidate of the Popular Socialist Party, running on a slate called the Workers Front; he is running second in the polls. Gomes has stated that Brazil had no choice but to go to the IMF, but he is not happy about it. Various Brazilian newspapers reported Aug. 15 that Gomes's responses to questions from 35-40 businessmen and bankers, during a luncheon organized by Vicunha Textil executive Ricardo Steinbruch, left the bankers' crowd worried that Gomes' actions would not be predictable, when it came to the markets. "I haven't been domesticated," he answered to one, and at another point reportedly stated that he would "cut off my hand before I'd sign with the bankers"—despite his simultaneous repeated assurances that he would never declare unilateral bankruptcy, and had never broken a contract in his life. Gomes has said that a "voluntary" renegotiation of Brazil's debt will probably be necessary.

In a speech before 700 retired officers at the Air Force Club in Rio de Janeiro on Aug. 8, Gomes declared that he was "shocked" at the IMF deal, and he considered it a "disaster for the country.... Do we have to celebrate the fact that Brazil increased its debt by \$30 billion, and not to invest in popular houses or nuclear submarines?" The accord "was done to finance the bankruptcy of public and private credit... The same type of accord was done in 1998." Gomes said that he opposed an accord which he considers "the handing over of Brazil's fate to international capital... I will take the Presidency back from the bankers, in order to hand it over to the service of those who work, of those who produce."

### **Venezuelan Supreme Court Defies Chavez, Says Accused Military Upheld Constitution**

A majority of the Venezuelan Supreme Court issued a 67-page decision on Aug. 12, overturning the charges of military rebellion that the Hugo Chavez government had levelled against four prominent military officers, and giving President Chavez a black eye in the process. The four officers had been accused of trying to illegally arrest Chavez, during last April's clashes between pro- and anti-government forces, and of trying to overthrow his government. The officers' defense was that Chavez had, in fact, resigned, according to the then-Defense Minister; that they were carrying out their Constitutional duty in occupying the Presidential building to facilitate an orderly transfer of power; and that there was no uprising of the military that could be defined as a coup, attempted or otherwise.

They also declared that their refusal to deploy troops against civilian opposition forces, as ordered by Chavez, was based on Constitutional grounds, which the Supreme Court magistrates apparently also agreed with. The Court vote, 11 to 8 against the indictments, was declared irreversible.

The decision was issued while the Supreme Court hall was surrounded by National Guardsmen. Chavez forces which had gathered in the thousands in anticipation of the vote, attempted to storm the building when they learned of the final decision, but were stopped by the tear gas and plastic bullets of the National Guard. This repulse of the Chavista mobs is a first, and has forced these Jacobins into at least a temporary retreat. Since his foolish televised rant Aug. 11, threatening to shut down the Court if it voted against him, Chavez has stayed restrained and quiet.

The pro- and anti-Chavez forces in the country remain on a collision course, but the immediate threat of a military uprising of some sort if the Supreme Court to knuckled under to Chavez's threats, is averted. At this point, a Supreme Court investigation of Chavez for "crimes against humanity," sought by the families of victims who were killed last April by Chavez's crazed mobs, is now on the opposition's agenda.

### **Tax 'Reform,' High Unemployment, Factors in Building Venezuelan Social Explosion**

The Chavez-dominated Venezuelan National Assembly approved the government's tax-reform package in the first round of discussion on Aug. 1. If, as expected, the bill jumps through all the requisite legislative hoops, the value-added tax (VAT) would rise from 14.5% to 16%, with all but a few of the current exemptions eliminated. As an example, the tax on electricity and agricultural products, will rise to an intolerable 16%! The banking debit tax is also to be raised from 0.75% to 1%. The latter is not minor: Every time someone writes a check, or makes a bank withdrawal, he or she must pay a tax

of 1% on the amount of the transaction.

The head of the Fedecameras business federation opposed the reform's passage, warning that it could provoke a gigantic social explosion, because it hits most harshly on neediest. The poor have already seen their economic situation deteriorate due to the inflation resulting from the 70% devaluation of the currency, so far this year. The Venezuelan Central Bank says inflation rose by 16.9% between January and July, or an annualized rate of 22%.

According to the government's statistics, over half (50.6%) of the Venezuelan population work in the "informal sector," i.e., selling gadgets on the street, or working off-the-books wherever they can scramble a job. More than 15% of the population was officially unemployed in May.

### **U.S. Hypocrisy on Human Rights in Colombia**

In a striking policy reversal, and one that reeks of hypocrisy, the U.S. State Department is asking the Colombian government to provide immunity against extradition for U.S. military personnel in Colombia, who might be caught violating human rights. After years of subjecting the Colombian Armed Forces to vicious human-rights slanders, which prevented them from receiving funds to fight counterinsurgency— which would have put the narcoterrorist FARC out of business long ago— the State Department is now demanding that its own people be protected from human-rights charges— by Colombia, no less!

In a press conference in Bogota Aug. 14, following a meeting with the new Colombian government, U.S. Undersecretary of State for Political Affairs Marc Grossman asked newly inaugurated Colombian President Alvaro Uribe to sign an agreement that would grant U.S. nationals in Colombia immunity from prosecution by the International Criminal Court (ICC) on human-rights grounds. Under Bush's anti-terrorism legislation, and because Bush has refused to sign the ICC Treaty, the U.S. government is obliged to cut off military aid to countries that have ratified the treaty, unless they grant the immunity pledge Grossman is demanding. Colombia has little choice but to agree, but is planning to hold Congressional hearings before issuing a formal decision.

Hypocrite of the Day: Sen. Patrick Leahy (D-Vt.), the prime mover behind imposing human rights conditionalities on U.S. aid to Colombia, announced his support for the immunity waiver demanded by Grossman, in order "to protect Americans against political prosecution" by the ICC.

### **Colombian President Declares 90-Day 'State of Internal Commotion'**

Responding to the dramatic escalation of violence in Colombia since his inauguration a mere four days earlier, which has already claimed 115 lives, newly inaugurated President Alvaro Uribe Vélez Aug. 12 declared a temporary, but renewable, "state of internal commotion"— stronger than a "state of emergency" (which usually addresses a natural or economic disaster). The declaration, which states it is being made in response to the FARC's "regime of terror," gives Uribe certain powers, without suspending Constitutional guarantees, one of which is to levy a 1.2% war tax on the wealthiest class in the country (above a certain income level). This would be expected to yield \$780 million for immediate deployment into an expanded military and police capability. Other powers would include restricting citizen movements, detaining suspects without judicial warrants, and limits on the media.

### **Fox Cancels Meeting with Bush in Protest Over Execution**

President Vicente Fox of Mexico has cancelled a planned week-long visit to Texas later this month, which was to include a several-day visit with President George W. Bush at the Crawford ranch. Fox cancelled the trip to protest the execution a

few days ago in Texas of Javier Suarez Medina, who may have been a Mexican citizen. The execution has caused a tremendous ruckus in Mexico, and Fox is responding to this turmoil.

## **RUSSIA AND CENTRAL ASIA NEWS DIGEST**

### **Russia, Iraq To Sign \$40-Billion Infrastructure Deal**

Iraq's Ambassador to Moscow, Abbas Khalaf, announced that Iraq and Russia will sign a \$40-billion, five-year economic-cooperation agreement, possibly before the end of this month, the *Washington Post* revealed in its lead article Aug. 17. The agreement focusses on cooperation in big infrastructure projects: oil, electrical energy, chemical products, irrigation, railroad construction, and transportation. Most of Iraq's infrastructure was originally built with Soviet or Russian help, and Baghdad wants the Russians to help rebuild, or upgrade it.

The deal was confirmed by Oleg Buklemeshev, a deputy to Russian Prime Minister Mikhail Kasyanov. Buklemeshev told the *Post* that "All of the ministries have agreed to the document," and the signing ceremony could take place "very soon." He also stressed that nothing in the agreement violates UN resolutions regarding Iraq. The U.S., he said, "should be okay provided they have the correct information." This latest Russian move is expected to further complicate efforts by the Bush Administration to rally support for a war against Iraq.

The announcement comes at the same time that Russia is pursuing upgraded relations with the other two countries labelled by President Bush as part of the "axis of evil." As the *Post* notes, "Despite President Vladimir Putin's friendship with Bush and support for the war on terrorism," Moscow last month released a plan to build five new nuclear-power plants in Iran, and extended an invitation to North Korean leader Kim Jong-il this week, to visit Moscow.

### **Russian Defense Minister Proposes Defense Group of Caspian Sea States**

Russian Defense Minister Igor Ivanov proposed the formation of a defense group of Caspian Sea littoral states, in the context of Russian-Kazakh maneuvers, according to the *Tehran Times* of Aug. 11. He said, "We are familiar with the threats in the region and that is why a common operation with our neighbors in the Caspian is necessary."

Besides Russia and Kazakhstan, the Caspian littoral states include Iran, Turkmenistan, and Azerbaijan. Iran was an observer at the maneuvers.

### **China, Central Asian States To Discuss Great Rail Project**

According to *Kabar Kyrgyz*, a Chinese delegation was expected in Bishkek last week, for discussions on construction of the great rail project to connect Uzbekistan to Kyrgyzstan to China, according to the Prime Minister of Kyrgyzstan, Nikolai Tanayev. Tanayev was meeting with a delegation from the International department of the Central Communist Party Committee of China when he made the announcement.

He noted that if the railroad is built, "The economy of Kyrgyzstan will sharply improve."

The planned railroad, which promises to be an astonishing project, will go from Kashi in Xinjiang, western China, over the mountains into Kyrgyzstan and then to the Fergana Valley, will run close to large mineral deposits in Kyrgyzstan, and will facilitate their development, Tanayev said.

## **North Korean Leader To Visit Russia**

North Korean leader Kim Jong-il will visit Russia soon; he visited there in August last year. *Yonhap News* of Seoul, South Korea, reports that he is going in order to advance work on the link-up of North Korea to the Trans-Siberian Railroad. Thirty North Korean students will study at Russia's Siberian National Railway College in Novosibirsk starting next month, the Korea Trade-Investment Promotion Agency (KOTRA) said, citing a report from its office in Vladivostok.

According to the Aug. 8 issue of the Russian newspaper *Izvestia*, Russian President Vladimir Putin will arrive in Vladivostok Aug. 24 to meet with the leadership of Primorsk Kray and Far East Federal Okrug, and visit the base of the Pacific Fleet. Here, too, he will reportedly hold very unofficial talks with North Korea's leader Kim Jong-il, for the second time since Putin's official visit to the North Korean capital of Pyongyang in 2000.

The meeting of Putin and Kim is reportedly being prepared by Gen. Konstantin Pulikovskiy, the President's Representative in the Far Eastern Federal Okrug, who is known for his personal sympathies towards Kim Jong-il. On Aug. 7, Pulikovskiy visited Putin in the Kremlin, officially to discuss the region's fishing industry.

In April, Pulikovskiy was a guest in Pyongyang, visiting the celebrations of the Day of the Sun (the birthday of Kim Jong-il's late father, Kim il Sung). At that time, he said that Kim Jhong-il would like to visit Vladivostok, Khabarovsk, and Komsomolsk-on-Amur.

Russia's Foreign Ministry would not confirm or deny any plans for a Putin meeting with Kim, although Foreign Minister Ivanov recently travelled in the two Koreas, discussing joint infrastructure programs.

## **Russian Firm To Invest in German Aircraft Industry**

Oleg Deripaska, head of Siberian Aluminum (the main component of the Russian Aluminum conglomerate), has declared his intention to invest in the aircraft-building business of Fairchild Dornier, a German company which is today in bankruptcy procedure. According to *Kommersant* of Aug. 5, the Russian oligarch is going to finance the construction of FD 728 jets, traditionally regarded as rivals of Russian TU 334s and the joint SU-Boeing project.

On the eve of bankruptcy, FD lost such partners as Boeing and Canada's Bombardier. FD's vice president Thomas Brandt told *Kommersant's* correspondent that several engineers from Siberian Aluminum are already working at FD's plant in Oberpfaffenhofen. The cooperation will also be very beneficial to the Russian company, as it enables Deripaska to engage the idled facilities of its Samara-based Aviakor Co., which is supposed to produce parts for the German aircraft.

It is obvious that serial production of FD aircrafts will start before the TU-334 and the SU-Boeing plane. Reached by *Kommersant's* authors, officials at the Russian Industry Ministry could not comment, confessing that they don't possess any information. After a while, contact in the Ministry agreed that penetration of foreign markets by Russian companies was certainly a positive event, but asked, why not invest in domestic business?

## **Russian Aluminum Executive Deripaska Attacks German Gref**

Oleg Deripaska, head of the giant company Russian Aluminum, became the latest of Russia's raw materials "oligarchs" to attack the Kasyanov government. *Vedomosti* of Aug. 6 reported an open letter by Deripaska, harshly criticizing Minister of Economics German Gref for, among other things, being obsessed with Russia's accelerated entry into the World Trade Organization.

Deripaska's letter outlined his own "economic strategy for Russia," which is not limited to raw materials development. Besides general points about reducing the cost of capital and making credit and monetary policy more predictable, Deripaska calls for a public-private-sector approach to economic growth, including "development and implementation of a strategy and specific programs for the physical infrastructure of the economy," "expansion of tax and budget policy instruments to provide incentives for demand and for investment in fixed capital," "development and implementation of a regional policy strategy, in order to equalize the social and economic development levels of various regions of Russia, with comprehensive involvement of natural resources of Siberia and Far East," "a comprehensive solution of the problem of poverty, with emphasis on the employment of educated pauperized persons."

Economist Mikhail Khazin commented to *Vedomosti* that Deripaska's activation as an economic strategist showed "healthy pragmatism," because "it is clear that in the autumn, the government will be purged, and the loudest critics of Gref's policy will probably have the best access to influence the new cadre policy."

### **Russia-Georgia Relations Deteriorate Further**

According to numerous sources, including *ORT*, *Moskovskie Novosti*, *Kommersant Daily*, and others, the relations between Russia and Georgia are deteriorating significantly.

On Aug. 8, the Georgian side was forced to agree to extradite a group of Chechen mercenaries to Russia, after Russian special services provided videotaped evidence of the involvement of Georgian military and customs officials in deployment of terrorists across the Georgian border into Russia. This evidence involves also Azerbaijan, as the mercenaries were hired in Baku through a company functioning as a travel agency. On the videotape, a terrorist was featured describing in detail, how he was protected by Georgian officials in Pankisi Gorge.

During the past two weeks, accusations have flown back and forth between Moscow and Tbilisi, after Chechen guerrillas retreated from heavy fighting with Russian forces in Chechnya, back into Pankisi Gorge. Georgia protested against Russian military aircraft overflights of Pankisi Gorge, and initially refused to extradite two groups of Chechens captured on the Georgian side. Oleg Mironov, speaker of the Russian Federation Council (upper house of Parliament), inflamed the situation by proposing that Russia emulate Ariel Sharon's military operations on the West Bank, and go into Georgia in force to wipe out the guerrillas' bases there.

The deterioration of the Russian-Georgian relations is taking place on the eve of the signing of a comprehensive Friendship and Cooperation Treaty between the two countries, but also in the midst of political instability in Georgia. In recent local elections, no clear leading force emerged, and at the same time, there is more and more open discussion about the succession to President Eduard Shevardnadze.

## **MIDEAST NEWS DIGEST**

### **From the Dock, Barghouti Campaigns for Peace**

Marwan Barghouti, a senior leader of the Palestinian Authority, was brought before the Tel Aviv District Court on Aug. 14, to stand trial on charges of inciting widespread attacks against Israel. The charges against him are considered nothing more than a political show trial, because the Justice Ministry of Israel has shaped the indictment against him on the basis of his being the head of a "terrorist organization," by which they mean Fatah, one of the largest groups in the Palestine Liberation Organization. The same indictment says that Yasser Arafat is also the mastermind of terrorist acts, because the PLO, decrees the Israeli Justice Ministry, is also a terrorist organization. But Barghouti politically turned the tables in a powerful statement. He addressed the court in three languages —Hebrew, Arabic, and English—to convey the singular

message that only a commitment to peace can end the violence. In English, Barghouti said, "I am a peaceful man. I was trying to do everything for peace between the two peoples. I believe the best solution is two states for two peoples.... The policy of occupation will not lead to security. Security will only be achieved in one way, by peace, and peace will only be achieved by the end of the occupation." Guards cut him off after a few minutes, escorting him out of the courtroom. The indictment charges Barghouti with murder, attempted murder, and involvement in "terrorist" organizations, according to the Israeli Justice Ministry. Barghouti's pro-peace declaration is no small matter, and his attorney says the trial is an opportunity "to try the occupation for all the crimes against the Palestinian people."

### **Israel Warns That Sharon Will Use Iraq War for Mass Expulsion of Palestinians**

Israeli commentator Meron Benvenisti, writing in the Israeli daily *Ha'aretz* of Aug. 15, exposed that Prime Minister Ariel Sharon is orchestrating the creation of war hysteria —emphazing gas masks, antidotes to radiation poisoning, and the danger of chemical and bio-warfare —as a means of preparing the Israeli population for an attack on Iraq. Sharon has come to the United States, and repeatedly told Congress and the Administration that the U.S. *must* attack Iraq, and Iran's nuclear energy reactors. Benvenisti writes that under the cover of an attack on Iraq, Sharon will launch his "Jordan option" and conduct ethnic cleansing throughout the West Bank. "Fanning anxiety with reports of 'Home Front readiness' [which] are not about 'defensive' measures. They are about declarations by the Sharon government that 'this time Israel will certainly respond to any Iraqi attack,'" Benvenisti says. "The worse the hysterical fear of an NBC attack —little children crying as nurses administer vaccinations on their arms —the more pressure will rise to 'stick it' to Saddam Hussein, whether it is necessary or not." Benvenisti then writes that "under the cover of George Bush getting even for his father," Sharon will launch his Jordan-is-Palestine policy. "The warnings about the destructive ramifications of an attack on Iraq for the entire Middle East are not deterring Israel —they are encouraging it.... An American assault on Iraq against Arab and world opposition, and an Israeli involvement, even if only symbolic, leads to the collapse of the Heshemite regime in Jordan. Israel executes the old 'Jordanian option' —expelling hundreds of thousands of Palestinians across the Jordan River. There has never been a better opportunity for that option...." Calling on his fellow Israelis to act now to stop the Iraq war, Benvenisti writes, "Warnings about ethnic cleansing should not only come from committed leftists, but from people whose patriotism cannot be questioned...." Benvenisti concludes that the Americans should be "warned that an assault on Iraq could unleash ethnic cleansing of the Palestinians. Nobody should be allowed to say they weren't warned."

### **Top U.S. Military Brass Want a Congressional Vote on Iraq War**

The top military leadership in the United States want a Congressional vote on the Iraq war before it can be adopted as policy, reports *Aviation Week*, citing unnamed military officials. The report says that top military officials have rethought their position, and they now believe the military needs public approval in advance from Congress. The *Aviation Week* report also coheres with statements from members of Congress who have served in wars such as the Vietnam conflict, who warn that the U.S. should never again enter a war that does not have the support of the American people. "The Pentagon paid attention to the Biden hearings [on the Iraq war], and is more concerned now about Congressional approval," says a senior Air Force official. "Military leaders are pressing the White House to secure a separate Congressional OK for an attack. Because of the signals out of Congress, they no longer think the post-Sept. 11 resolution [on use of force] is sufficient, because the intelligence agencies haven't been able to connect the dots between attacks on the U.S. and Saddam Hussein's regime." They also reportedly want to smoke out Congressional opposition, so there is little partisan sniping once the war begins.

### **Iraq Renews Invitation for U.S. Congressional Delegation Visit on Weapons Inspections**

*Agence France Presse* reported on Aug. 14 that Iraq has *renewed* the invitation for a U.S. Congressional delegation to visit the country on a fact-finding mission relevant to Iraq's weapons capabilities; the delegation could include "a team of experts" to visit sites where weapons of mass destruction are allegedly being produced. The Baath Party daily *Ath-Thawra*

published an invitation, which asks: "Would it not be appropriate for Congress to take advantage of this opportunity offered by the Iraqi Parliament to check these accusations on the ground, for the sake of U.S. national security and to avoid America launching itself into an adventure that even its allies dub illegal and immoral?" The papers add that those members who accepted the invitation "will not be brainwashed" during their visit. On Aug. 5, a letter of invitation to U.S. Congressmen was issued by the Speaker of the Iraqi National Assembly, Dr. Sadoun Hammadi.

### **Sharon Told Bush: Israel Will Fire Back If Attacked by Iraq**

Ariel Sharon has told President Bush that Israel will not sit on the sidelines if attacked by Iraq, as it did in the 1991 Persian Gulf War. The *Washington Times* reported in a front-page story on Aug. 13 that Israel will not restrict itself to a "symbolic" retaliation, if Saddam fires SCUD missiles at Israel following a U.S. invasion or attack on Iraq. A similar report appeared this week in the *Jerusalem Post*. Israel now has a nuclear triad, including three diesel-powered submarines, equipped with nuclear-tipped cruise missiles, making Israel under Ariel Sharon the only genuine "rogue state" armed with weapons of mass destruction. While Sharon has threatened that he will fully engage Iraq if Saddam strikes out at Israel in the context of a U.S. invasion to overthrow the regime in Baghdad, the overwhelming indications are that Sharon would actually concentrate the bulk of his military forces against Lebanon, Syria, and the 3 million-plus Palestinians living in the West Bank and Gaza, whom he intends to "mass transfer" across the river into Jordan, if the U.S. is foolish enough to start the war on Iraq. The *JP*, however, adds the following twist: the Israel Defense Force is drawing up plans for a "graduated response" to Iraq, but both the U.S. and Israel fear that Saddam Hussein may strike Israel first, leading to an Israeli response before the U.S. attacks.

### **European Diplomat Fears Sharon Will Launch Massive Ethnic Cleansing**

The danger is very real that the Israelis will carry out a massive "transfer" —ethnic cleansing—policy against the Palestinians, in the event of an American attack on Iraq, a senior European diplomat commented in a discussion with *EIR* on Aug. 15. This individual, with significant contacts in U.S. and European policy circles, said that his reading is "the attack on Iraq will come in October. The longer the Bush Administration waits, the more things get out of hand for them, because opposition grows by the day." Under these conditions, he affirmed, "Sharon would carry out his policy of transferring Palestinians into Jordan. What I see happening, is one or more awful terrorism incidents against Israelis, with perhaps hundreds dying. In fact, Sharon, who thinks in purely military terms, would like this. He is like the military commander who sends his men into battle, knowing that 20% will die. What does Sharon care, if a few hundred Israelis are sacrificed in big terrorism incidents, if that paves the way for his bigger plans?" This individual is worried that, on a "world scale," big terrorism outrages could soon be orchestrated to expedite the war against Iraq. "I'm sure the French government lives under fear of being targetted by terrorism, and my estimation is that Bush, too, lives under this fear. The people who did Sept. 11, are capable of doing a lot of damage; they are desperate."

### **Sharon Declares: Iraq Is Our Greatest Threat**

Speaking before the Knesset Foreign Affairs and Defense Committee, Israeli Prime Minister Ariel Sharon said, in answer to a question on whether Israel planned on attacking Iraq if the latter attacks Israel, "We don't know for certain if the U.S. will attack Iraq. Iraq is a great danger. It could be said it is the greatest danger. We aren't intervening in U.S. decisions." His remarks were reported in the Aug. 13 issue of the Israeli daily *Ha'aretz*. He added that "strategic coordination between Israel and the U.S. has reached unprecedented dimensions."

### **Hysteria Over WMD Is Being Whipped Up in Israel**

An attempt is underway to build up the war fears in Israel, with no less than four articles in *Ha'aretz* alone covering various aspects of the need for preparing for attacks by weapons of mass destruction (WMD). First, the Defense Ministry

confirmed reports that the protective kits given to the general public in times of war, which includes gas masks, will now also include Lugol Iodine capsules, a well-known antidote for radiation poisoning. These tablets cost only \$1 dollar, are available without perscription, and help block the influence of radioactive iodine by protecting the thyroid gland, a key mechanism for sustaining the body's immunity. Israeli Defense Ministry spokesmen say they will distribute the capsules because they fear that al-Qaeda and other terror groups could produce and deploy "dirty" radiation bombs. Significantly, the report says that this action is being coordinated with the U.S., pointing out that the U.S. Administration has ordered hundreds of thousands of these tablets as well. Another example of the cooperation is the fact that Gen. Uzi Dayan, the head of the Israeli National Security Council, will be going to the U.S. to participate in a closed-door seminar on suicide bombings which is being convened by Tom Ridge, President Bush's Homeland Security Adviser. Meanwhile, more hysteria was created when Dr. Areh Eldad, who heads the team advising the Health Ministry on epidemiological control, resigned in the wake of the Ministry's decision to reject his team's proposal that the entire population be inoculated against smallpox. The move is expected to create so much panic that the government will have to start the mass inoculation. This is an interesting move since Eldad, who is a reserve general, was the Israel Defense Force's chief medical officer. He is also a potential war criminal. Not so long ago, he stated that the only solution to Israel's security problem was an all-out war which would make possible the forced transfer of the Palestinian population across the Jordan River. According to Dr. Boaz Lev, the director-general of the Health Ministry, Eldad's opinion was in fact "a minority" one, and the issue had been thoroughly discussed. Third, big play is being given to a story in the *Washington Times* claiming that the U.S. has satellite pictures of massive numbers of trucks going to and from a facility in Iraq which the U.S. claims is a biological weapons facility. Fourth, Military Intelligence chief General Aharon Ze'evi told the Knesset's Foreign Affairs and Defense Committee that the military is contemplating the possibility of "mega-attacks," which could include several suicide bombers or car bombs going off simultaneously and causing massive numbers of casualties.

### **Sharon Vetoes U.S./Palestinian Cooperation as Likud Fanatics Commit Another War Crime**

Following high-level meetings beginning Aug. 9 in Washington, D.C. between the Bush Administration and members of Palestinian President Yasser Arafat's Cabinet, the U.S. government has come under heavy pressure from fascist Likud Party circles in Israel, and their U.S. backers among the organized-crime-linked "MEGA" circles of Michael Steinhardt and the Bronfman family. In response, according to sources close to the Middle East negotiations, the Bush Administration is about to sabotage the Palestinian peace process by "cancelling" Palestinian elections that were being discussed by the Palestinian Authority leadership, with Arafat, and planned for January 2003. According to *Ha'aretz*, Sharon continues to refuse to deal with the PA as long as Arafat is still in power. On Aug. 13, Sharon said, "As long as he [Arafat] is head of the PA, we can't reach an agreement because the terror won't stop. This isn't my personal problem. It is a political problem." Simply put, the visit to Washington by three Cabinet ministers of Arafat's Palestinian National Authority government —adviser Saeb Erekat, Interior Minister Abdel Razak Yehiyeh, and Economics Minister Marzi —was a success. In meetings with Secretary of State Colin Powell and CIA Director George Tenet, the Palestinians discussed plans for a January election which, they said, would require that Israeli troops evacuate the occupied areas. In a parallel move, European, UN, and Russian diplomats were working in the Occupied Territories to bring about a ceasefire by all Palestinian groups, in order to further the Israeli withdrawal from all of Area A (under Palestinian Authority government). In Washington, the Palestinian ministers made clear that the leader of the Palestinian people is Arafat, and no one can tell him that he cannot run for President, or dictate that he has to "hand over power" to a Prime Minister. Any such schemes for puppet government were dismissed by the Palestinians. For Sharon, MEGA, and the "Clash of Civilizations" warmongers, the progress represented by the Washington trip is a nightmare. As one highly qualified Washington source expressed it, even if Ariel Sharon himself supervised the Palestinian elections, Arafat would still win the Presidency. It would mean in effect that "new" elections, approved by Washington, would elect Arafat, and give the Palestinian government full legitimacy —the opposite of the intentions Sharon and his generals had, after George W. Bush's anti-Arafat speech on June 24. So, if the White House were to cancel the Palestinian elections, this would also cancel the pressure for Israeli withdrawal from any Palestinian territories. Just to ensure that rage and revenge would overpower the peace negotiations, however, on Aug. 14, the Sharon forces unleashed the assassination of another Hamas leader, Nasser Khaled Ibrahim Jerar in an attack near the town of Nablus. This IDF operation qualifies by all definitions as a war crime. According to a description sent out to journalists by the Israeli embassy in Washington, Jerar was crushed to death under the rubble when

an apartment building was destroyed. The Israeli government communiqué noted that Jerar is a double amputee, but said that he is the "mastermind" of terrorist actions.

### **Israeli Army Tries To Kill Pro-Peace Israeli Journalist**

The Israeli military almost killed Gideon Levy, one of the most pro-peace commentators on the staff of the Israeli daily *Ha'aretz*. Levy was travelling in the West Bank city of Tul Karm, with the permission of the military, when a soldier shot at the taxi in which he and his photographer were riding. Although the soldier shot directly into the windshield, with the intention of killing those inside, the military tried to claim it was a mistake. The military disciplined two of the soldiers involved with only suspended sentences. Levy is the highest-profile commentator willing to tell the truth about what is happening in the territories, and has gotten threats on his life after being accused of being a traitor. The incident was reported in *Ha'aretz* on Aug. 12.

## **Asia News Digest**

### **Newly Named South Korean PM-Designate Published LaRouche Interview**

South Korean President Kim Dae-jung has appointed Chang Dae-Hwan, president and publisher of Seoul's main business daily *Maeil Business News*, as South Korea's Prime Minister, after Kim's ruling party suffered another disastrous electoral defeat Aug. 8. The opposition Grand National Party won 11 of the 13 seats up for grabs in by-elections, taking a majority of 139 seats in the 273-member National Assembly. Kim's government is hanging by a thread and his ruling party has collapsed, so far failing to form a new party, with many leaders resigning.

Lyndon LaRouche was prominently interviewed May 7 in *Maeil Business News*, focussing on his program for the "New Silk Road," and Korea's role in this as the "Asian Hub" for Pacific transport and trade.

LaRouche's interview was controversial inside the Blue House (Seoul's equivalent to the White House) at the time, as *EIR* belatedly learned, because *Maeil News* sometimes behaves like the *Wall Street Journal* and had (unbeknownst to *EIR*) been attacking President Kim from the standpoint of the opposition.

Publisher and PM-designate Chang, however, has now been chosen "as a compromise figure between all parties in Korea," one official told *EIR*, "because he does stand for the need to reconnect the Trans-Korean Railway. No matter what else the warring parties in Korea's December Presidential elections want to fight about, they should at least agree that this is a national goal."

President Kim, 78, has been hospitalized with pneumonia, and so Chang gave the pivotal Aug. 15 Korean Independence Day speech in Seoul, the most important speech of the year for any Korean President. Some are speculating that Kim has deliberately stepped aside to put Chang and the railroad up front, to help Chang win confirmation as PM this month in a hostile National Assembly. Kim's first choice for PM, university dean Chang Sang— who would have been Korea's first female Premier— was kicked out by the opposition last month. They accused her of faking her academic background, speculating in real estate, and letting her son dodge military service.

Chang Dae-Hwan said on Aug. 10 that his top priorities must be given to keeping peace on the Korean peninsula, hosting the Sept. 29-Oct. 14 Pusan Asian Games jointly with North Korea, and managing the December Presidential poll fairly. Chang took a doctorate in international business at New York University and worked his way up at *Maeil News*, starting in 1986.

## **Rumsfeld Moves To Undercut Powell, Military in Shaping U.S. Policy in Philippines**

U.S. Defense Secretary Donald Rumsfeld has moved to undercut Secretary of State Colin Powell and the military in shaping U.S. (and Philippine) military policy in the Philippines. The open division between the civilian, war-party leadership at the Defense Department and the uniformed military (with Powell on the military's side) was played out in regard to the Philippines Aug. 13, when Rumsfeld met with Philippine Defense Minister Gen. Angelo Reyes in Washington. They set up a *civilian-to-civilian* policy group, clearly as a counter to the *military-to-military* group which has overseen policies and implementation previously.

Reyes told the *Washington Post* Aug. 13: "While there is close military-to-military contact, I've been in this job for over a year, and I saw there is just a dearth of corresponding contact between the two departments to set the policy that will drive the planning." The new board, in other words, will allow the civilian war party to override the military.

In fact, a very moderate "five-year plan" for U.S. military operations was just signed, sticking to Powell's stated policy that there should be no U.S. involvement in the field (let alone in combat, as was nearly implemented in the anti-Abu Sayyaf "exercise" which ended Aug. 1), and which will have a reduced number of U.S. military trainers. General Reyes noted for the *Post* that this plan was "drafted by the Mutual Defense Board, a long-standing forum co-chaired by [the] Philippine military's chief of staff and the head of the U.S. Pacific Command." The new civilian-run board (ominously called the Defense Policy Board, the same as the Richard Perle operation on the U.S. side) is intended to restrict the military's influence in restraining the "utopians" in Asia.

## **Arrow Missile Defense System: Point of Conflict Between India and U.S.**

According to information made available by a source, U.S. Secretary of State Colin Powell asked the Indians during his recent visit there not to acquire the Israeli Arrow Weapons System, as it "could exacerbate friction between India and Pakistan" and lead to a war between the two nuclear neighbors.

The U.S. request to India not to buy the Arrow System has not gone down well in New Delhi. India pointed out to the U.S. Secretary of State the following facts:

- \*Arrow missiles have not gone into series production and are yet to be inducted into the militaries of Israel and the United States. The gestation time to acquire this missile system cannot be related to the present India-Pakistan confrontation.
- \*India was one of the first countries to come out supporting George Bush's BMD proposal for exactly the reason that Delhi wants to have a missile defense system of its own.
- \*Once India has decided to acquire a missile defense system to protect its 1 billion people from various nuclear-weapons states, New Delhi will either acquire the Arrow system or develop its own.
- \*The Arrow Missile Defense System is purely a defensive system with no offensive capability. Washington's opposition to the acquisition of such a system will be construed in India as the United States' desire to keep the Indian Union unsecured. This is particularly significant since the Pakistani military has made it clear that in case of an India-Pakistan conflict, Islamabad will use nuclear weapons.
- \*While the Secretary of State was voicing his concerns about the missile-defense system, the United States launched a parallel initiative through "consultations on missile defense with its NATO allies in search of ways for those countries to participate and benefit from the program."

## **U.S. Asked Dutch To Freeze Assets of Philippines Communist Party**

The U.S. has asked the Dutch government to freeze the assets of the (Maoist) Communist Party of the Philippines (CPP) and its armed component, the New People's Army (NPA), who live in exile in the Netherlands. The Dutch government complied with the request the following day, Aug. 13. The request follows the Aug. 9 inclusion of the CPP/NPA on the State Department's Foreign Terrorist Organization blacklist. Some 31 relevant individuals live in Utrecht, including CPP founder Jose Maria Sison, and Luis Jalandoni.

Several elements of this story are bizarre. First, is the statement by Philippine President Macapagal-Arroyo's spokesman, Ignacio Bunye, who said in a radio interview that the subject of targetting the CPP/NPA was not discussed during Colin Powell's Aug. 1-2 meetings in Manila, and that no Filipino official had suggested such a move. Second, the Communist Party is not an illegal party, following the repeal in 1992 of the the Anti-Subversion Act of 1957. Bunye also pointed out that the Philippines has no anti-terrorism law, such that, at best, the CPP could be charged with rebellion, but Bunye said, "There is no actual revolution"—in fact, the government *says* it wants to return to peace negotiations.

The 31 CP-linked individuals living in the Netherlands, while troublemakers, are receiving Dutch government assistance as applicants for political refugee status!

Some Filipino Generals, however, are enthusiastic, and are discussing rebuilding the civilian militia, which has played a key role in the 33-year-old communist insurgency and against the Moros.

## **Manila Paper Challenges U.S. Decision To Declare Philippine CP a Terrorist Group**

The establishment paper *The Inquirer* in Manila has challenged what it calls the "unilateral U.S. decision" to declare the Philippine Communist Party (CPP) a terrorist group. This U.S. decision has "boxed the Macapagal regime into a bind," the paper's editorial said Aug. 14, "from which it is now trying to extricate itself." Calling the policy "the Powell Doctrine," since it was announced by Secretary Powell after his return from the Philippines, with no public call from the Philippines to do so, *The Inquirer* calls it "a restriction of Philippine foreign policy, as well as its domestic policy. It will stanch the growth of the parliamentary tendency in the Philippine communist movement; and, secondly, it hampers the flexibility of the Philippine government in resuming peace talks with even the externally based communist leadership."

The editorial adds the concern: "We are not certain, at this stage, how much military involvement the U.S. will have in combatting the communist armed groups."

## **Debate in Malaysia Over Powell vs. the Utopians**

A commentary in the Aug. 11 *New Straits Times* of Kuala Lumpur is noteworthy in describing the factional fight in the Bush Administration, but, by leaving out the role of Lyndon LaRouche, winds up pessimistic that Colin Powell (or anyone else) has any real power to change U.S. policy.

Titled "Tough Job Ahead for Mr. Nice Guy," the commentary, by Munir Majid, reads: "Powell swept across eight states in South and Southeast Asia in eight days. Dubbed the 'Good American' by a regional magazine, he is the acceptable face of American foreign policy. But does he make U.S. foreign policy, as opposed to trying to implement it in a less unacceptable manner? The message he tried to put across is that America is not unilateralist and that it is not obsessed by the war against terrorism.... Truly, U.S. foreign policy is encapsulated by what President George W. Bush might call this 'terror' thing, that there is good reason to believe it has also now become the justification for almost every foreign policy objective. So the

hawks in Washington are having a roaring time. Powell is often sent out to say one thing while they do another."

He reviews how Powell's efforts to act in the Middle East were all overridden by the hawks, specifically Rumsfeld, Wolfowitz, and Rice. "All this is sad," says Munir, "not only for Powell, but for the world. If everything is looked at through the U.S. prism of the war against terror, there is little hope that many of the world's problems will be solved, including the fight against international terrorism.

"At the White House, during Prime Minister Datuk Seri Dr. Mahathir Mohamad's Washington visit in May, Bush nodded with a bit of a grunt, when asked if he did not think it necessary to address the root causes of terrorism. Yeah, he said, before quickly moving on to the need to wipe out all terror first, that the terrorists must stop, or be stopped.... In all of this, unfortunately, Powell's influence is lost. His assertion that the U.S. is not unilateralist and is not obsessed with terror, is only a wish....

"The world, in other words, looked for American wisdom and leadership, not anger and revenge. I have written before that we must sympathize with and understand the American reaction, that there will be a dark period which the perpetrators would have forced upon the world, but I think it has gone on for too long. The pity of it is Americans, like Powell, cannot make a difference."

### **Philippines Going Down Argentina Way?**

Philippine President Gloria Arroyo plans to go on a pre-election spending spree to prop up growth despite a ballooning budget deficit, according to the *Singapore Business Times*. Arroyo is considering a higher-than-expected national budget of 820 billion pesos (\$16.4 billion) for 2003 to finance projects crucial to alleviating poverty among the 40% of the 80 million population who are poor.

Opposition Sen. John Osmena has warned the budget deficit problem could plunge the Philippines into an Argentina-like situation. "The total debt stock—the total amount of money that we already owe—is very dangerously high, almost approaching 80% of our GDP, and that's about the upper limit of what the country should be borrowing."

In her first year in office, President Arroyo's government missed the budget deficit target of 145 billion pesos by 2 billion pesos, due to low revenue collection. In 2002, Manila overshot its first-half budget deficit ceiling by 53% to 119.7 billion pesos, nearly 10 billion pesos shy of the full-year target of 130 billion pesos. Herminio Teves, an Administration Congressman, warned that the full-year gap between spending and revenue in 2002 could balloon to 163 billion pesos unless there are major spending cuts or sharply improved tax collection.

Aug. 12, the government approved the issuance of another 7 billion pesos in dollar-linked peso bonds next month to bridge the widening budget gap.

### **Inter-Korea Talks End as Half-Success**

The Seoul Inter-Korean minister-level talks closed Aug. 14 with most officials rating them a "half-success." The two Koreas issued a 10-point joint statement which announced Ministerial Economic talks Aug. 26-29 in Seoul to discuss the Trans-Korean Railroad project and construction of an industrial park at Kaesong in the North. It scheduled Red Cross negotiations on Sept. 4-6 to discuss the establishment of a permanent meeting place for separated families, and new reunions around Korean Thanksgiving Sept. 21. Also scheduled were joint soccer and taekwondo matches.

Japan and North Korea also announced Aug. 14 that they will hold high-level talks on normalizing diplomatic relations

Aug. 25-26 in Pyongyang.

The Seoul Inter-Korean talks, however, ended without being establishing a schedule for the high-level military talks, needed to actually re-start rail and other various construction projects that involve the work inside the demilitarized zone (DMZ). The South Koreans urged that inter-Korean military talks be held this month to resume rail construction work. The North, however, insisted the two discuss the railway issue during the upcoming economic talks, saying that they were not empowered to schedule concrete military talks without further guidance from military leaders in Pyongyang. To guarantee the safety of workers inside the heavily fortified border, the militaries of the two sides need to sign regulations.

Meanwhile, according to *Yonhap* and *Korea Times* of Aug. 14, the opposition to the Sunshine Policy is mobilizing in Seoul. The Grand National Party (GNP) immediately attacked the Aug. 14 Inter-Korean agreements, complaining that, "It is extremely regrettable that the joint statement overlooks the naval clash in the Yellow Sea," as GNP spokesman Nam Kyong-phil said. Near the Seoul hotel where talks were held, the GNP led 1,000 Korean War veterans in a demonstration, calling President Kim Dae-jung's Sunshine Policy of engaging North Korea "too conciliatory." They burned a North Korean flag and a portrait of North Korean leader Kim Jong-il. On cue, radical leftist students with steel pipes clashed with riot police, who stopped them from marching to the main U.S. Army base in Seoul.

## **AFRICA NEWS DIGEST**

### **Zimbabwe Farmers Union Offers Plan To Train New Farmers**

The Zimbabwe Farmers Union (ZFU) has called on the government to set aside a farm in each province for use as a training and research center by newly resettled farmers, many of whom have never farmed before, according to the Zimbabwe daily, *The Herald*. ZFU president Silas Hungwe made the call over the weekend when he addressed the organization's annual general meeting for Matabeleland North province.

"Agriculture training institutes in the country cannot accommodate all the farmers, and the only way we can assist them is to have a farm in each province which would be used for training them," Hungwe said. He noted that most of those who benefitted from the resettlement program were new in the agricultural sector. "As indigenous farmers, we have a dream of making sure that Zimbabwe regains its status of being the bread basket of the Southern African region, and that can be achieved when all the players in the field have been equipped with the necessary skills." The ZFU president noted that the government has already allocated such a farm in Manicaland province.

Speaking at the same farmers meeting, Matabeleland North Governor Obert Mpfu said he thought that the members of the ZFU, mostly small-scale commercial, communal, and resettled farmers, had the potential to produce, eventually at least, sufficient food for the country, if given adequate resources.

ZFU has been holding smaller meetings in all the country's provinces in preparation for its annual congress, to be held in Harare next week.

### **Say New African Coordination Needed To Maintain Continent's Non-Alignment**

The newly formed African Union must begin contemplating a common foreign, as well as defense, policy, one that safeguards the continent's non-alignment in a fluid geopolitical environment, suggests Francis Kornegay, Program Coordinator, Center for Africa's International Relations, University of Witwatersrand, in discussing the machinations around increased U.S. interest in shifting from Middle East oil dependence to Africa. Kornegay analyzed the significance of the interface between Africa, the U.S., Israel, the African Oil Policy Initiative Group, and oil, in *Business Day* Aug. 13,

in a piece titled "Superpower in Search of Alternatives to OPEC." He said the "connecting point is the emergence of an Israeli-based thinktank called the Institute for Advanced Strategic and Political Studies (IASPS) with a lobbying office in Washington."

As *EIW* has previously reported, IASPS— which has taken the point in trying to push Nigeria to leave OPEC, to fill more of the United States' oil needs— is a racist, far-right Israeli Likud front. According to information being analyzed by *EIR*, IASPS created the African Oil Policy Initiative Group (AOPIG,) to pressure Nigeria and others to leave OPEC.

Kornegay adds additional information, and insists that "The oil policy initiative may be a wake-up call for the African Union to begin contemplating a common African foreign as well as defense policy." He continues: "Slim though it may be, the prospect Africa could be so engaged as a result of the policies of oil, as a dimension of the Middle East conflict, is a reflection of the continent's vulnerabilities."

Kornegay notes that except for Nigeria, sub-Saharan producers are not members of OPEC (for example, Angola and Equatorial Guinea). "This would place quota constraints on their crude output, running counter to their economic and development imperatives; pressures also experienced by cash-strapped Nigeria." A U.S.-African oil alignment, in the Initiative's view, could be cemented by Washington declaring the Gulf of Guinea "an area of vital U.S. interest." Kornegay notes that this is coupled with a proposed new South Atlantic military command to "permit the U.S. Navy and armed forces to more easily project power to defend American interests and allied in West Africa." He adds: "Note the eerie resemblance to the old pro-apartheid South Atlantic Treaty Organization project."

Kornegay concludes: "Sub-Saharan Africa's dilemma is how to balance its being an alternative to Arab oil while safeguarding its nonalignment. This, in turn, poses challenges for the Arab world in being responsive to Africa's needs." He notes the lack of a partnership between African and Arab oil producers for accommodating Africa's urgent economic needs (though inter-Arab North African cooperation is reflected in the Egypt-Libya joint oil and gas company).

### **U.S. Going After Nigeria Because It Won't Unhook from OPEC?**

The National Association of Indigenous Petroleum Explorers and Producers (NAIPEC) has linked the United States' recent classification of Nigeria as an "unsafe" place for its citizens to visit, to Nigeria's refusal to quit OPEC. The chairman of the association, Chief Tunde Afolabi, made this charge when briefing journalists about NAIPEC's upcoming 10th anniversary seminar in Lagos, according to the Nigerian daily *Vanguard* Aug. 16. He said that the "unsafe" classification, coming on the heels of Nigeria's refusal to bow to U.S. pressure to leave the cartel, was indicative that the U.S. is now trying to divert investment from Nigeria.

The U.S. warned its citizens against travelling to Nigeria the first week in August. The Nigerian Ministry of Foreign Affairs responded to the U.S. move Aug. 12, dismissing the U.S. appraisal as a smear campaign against Nigeria. Then, on Aug. 13, the U.S. Embassy in Abuja, released a report claiming "serious problems remain" in Nigeria's human-rights record.

Some of Nigeria's press have been having a field day over the row. Perhaps it was put most strongly by an op-ed in Lagos daily *This Day* Aug. 16, written by Udochi Nwaodu— "America should first and foremost clear the mountain before it in order to see clearly to remove little grains of sand in the eye of other countries.... America has deceived the world for too long, but it will not continue to deceive the world forever. It will certainly go the way of ancient Roman and British Empires. There is a time for everything. The end may not be too far away for America's hypocrisy."

### **Zimbabwe Land Seizures: No Resolution Yet**

About 2,900 of the remaining 4,500 white commercial farmers in Zimbabwe were ordered to leave their farms by midnight Aug. 8, but a large number remained, hoping for some more favorable solution from President Robert Mugabe on his return to the country. Some of them made the point that their commercial-scale operations— which won't be duplicated immediately by their successors— can play a major role in bringing southern Africa out of the current famine. Mugabe finally spoke on Aug. 12, and said, "the order stands."

The Commercial Farmers Union (CFU) president, Colin Cloete, in a press statement July 15, had written that "as farmers we have always stated that an internal solution [i.e., one not imposed by outside powers] is the way forward. We are resolute and determined to find a solution. It is still not too late, and we appeal to our State President for an audience.... Our State President has clearly supported the 1998 Land Donors' Conference, Abuja Agreement, and the Zimbabwe Joint Resettlement Initiative. Unquestionably, the ideals of all these initiatives have been to show the way forward. Implementation however, ... has not been forthcoming. Instead, the result has been transitional confusion due to varying interpretations of the original criteria. This confusion is in total contradiction of our State President's policy on Land Reform."

Cloete also referred to "The non-response [of government] to numerous offers made by farmers on a collective or individual basis for a pragmatic solution to coexist. These offers have been based on a non-emotional, workable, good sense approach in any given situation— viability for the old and new farmers being the main criterion." He concluded with an appeal to the government for a "jointly inspired solution."

In the wake of Mugabe's statement, according to CNN, "Cloete ... said it appeared Mugabe had toned down his rhetoric, but that his message on redistribution had remained consistent. 'It could have been worse,' he told Reuters. Cloete and other farm sources said they were confused by Mugabe's comment that no farmer would be left landless, adding that many had been ordered to surrender all their land. Mugabe said he was pursuing a 'one farmer, one farm policy' with a place for 'well-meaning white farmers who wish to pursue a farming career as loyal citizens of this country.' "

Jenni Williams, speaking for the Justice for Agriculture organization, told Reuters, "We as farmers accept that land must be redistributed, but we do feel our political leaders must understand that in land reform you can't compromise production or you will have starving Zimbabweans."

Ben Zietsman of the CFU in western Matabeleland province interpreted Mugabe's speech to mean that "there won't be a mass avalanche of evictions," according to Associated Press.

Thus, there is no actual resolution at present.

### **South Africa in Quest To Combat Apartheid Property Relations**

South Africa will step up its quest to empower blacks who are still victimized by the remnants of the apartheid power structure, despite the pain this process might bring in some quarters, African National Congress figures said Aug. 13. Justice Minister Penuell Maduna was quoted as saying: "We are changing reality and nothing will stop us." Maduna, who heads the party's security and peace department, was speaking as discussion papers were released for the ANC's 51st national conference.

Max Sisulu, ANC head of economic transformation, said the struggle against apartheid had been about a better life. "If there is need for legislation to open areas that have been closed so far, so be it," he said. "There is massive inequality and unemployment in this country."

Public Enterprises Minister Jeff Radebe was quoted as saying: "The commanding heights of the economy are still in the hands of whites. This government must change the apartheid property relations, otherwise we will not have stability."

Maduna added: "We should not be surprised if masses of people revolt if their living conditions are not addressed." No one in his right mind would want millions of people to continue living in misery. "There is no other way but calculated intervention by the government. We invite people to join us in tackling this mammoth task," Maduna said.

Sisulu said unemployment would be a major focus of the conference. On this topic, the discussion paper said: "It is clear that the fight against unemployment is our central challenge. The need for jobs is glaring."

### **Frightened by Environmentalist Lies, Starving Zambia Rejects Donations of Genetically Modified Maize**

The Zambian government has announced it will not accept donations of genetically modified (GM) foods for fear they may be toxic, a fear that has been whipped up by the Malthusian environmentalists and zero-population-growth fanatics.

Meanwhile, as 15,000 tons of U.S.-donated, genetically modified maize sit waiting, Zambia does not have enough food for its starving people; indeed, many of the country's 9 million people are "on the verge of death," said one Zambian chief Aug. 12— victims of a drought extending from South Africa to Senegal.

The decision followed a debate in Lusaka's Mulungushi International Conference Centre Aug. 12, where numerous influential figures expressed fear of genetic modification, including the president of the opposition Heritage Party, Brig. Gen. Godfrey Miyanda; Women for Change Executive Director Emily Sikazwe; and Dr. Mwananyanda Mbikusita-Lewanika of the National Institute of Scientific and Industrial Research (NISIR).

Speaking for acceptance of the GM maize were the University of Zambia's Dean of the School of Natural Sciences, Luke Mumba, and Simon Zukas, national chairman of the opposition Forum for Democracy and Development Party.

Also urging acceptance, in an Aug. 9 appearance in Lusaka, were U.S. Congressmen Earl Hilliard (D-Ala.) and Eva Clayton (D-N.C.), who emphasized that Americans eat the corn every day.

There is no danger from genetically modified maize. The modification of the genes of maize takes place in nature through cross-pollination; so-called genetically modified maize is different only because there is human supervision of which of the naturally occurring possibilities are permitted.

The science of GM foods was laid out in 2000 by Dr. Channaputra Prakash of the world-famous Tuskegee Institute in his article, "Genetically Engineered Crops Can Feed the World!" in *21st Century Science & Technology* magazine. The full text is available at [www.21stcenturysciencetech.com/articles/biotech.html](http://www.21stcenturysciencetech.com/articles/biotech.html) His own web site, [www.agbioworld.org](http://www.agbioworld.org), includes an extensive response to the myths about GM foods.

Interestingly, a leading environmentalist, Greenpeace founder Dr. Patrick Moore, cited by Prakash, has broken ranks to write that "the campaign of fear now being waged against genetic modification is based largely on fantasy and a complete lack of respect for science and logic." **This Week in History**

**August 19-25, 410 A. D.**

This week we take our readers *way* back, for a very good purpose. One of the leading assertions of the Clash of Civilizations crowd today, is that the United States of America must abandon its republican tradition, and become the "new empire," policing the world, and suppressing economic development wherever someone might suspect a future "challenge" to the United States.

Empires, however, are well-known for their propensity to destroy themselves, and their populations. One need only look at history.

Which brings us to our event of the week, the fall of the Roman Empire. Historians date the collapse of the Western part of the Empire from the moment at which the Visigoth tribes (from Northern Europe) overran Rome on Aug. 24, 410.

This denouement was the result of a long process, through which the Roman Emperors had created the conditions for their own destruction. According to the imperial principle, the Romans had not only conquered as much of the world as they could, they had concentrated on looting the areas which they had taken over, of whatever wealth existed. They took slaves, raw materials, and everything of value they could find, demanding endless tax and tribute.

Thus, instead of building up, or even maintaining, agricultural production in Italy, for example, they imported grain from the hinterlands. Rather than educating their own citizens to become skilled craftsmen, and to come up with inventions and improvements, they suppressed technological innovation, and thus suffered from extremely low productivity, in agriculture, in particular. Indeed, the agriculture estates around Rome were terrible places where slaves were worked to death, only to be replaced by the ceaseless flow of new slaves. In such a slave-based society, there was no need for technological advance or skilled labor.

Thus Rome created a culture by which its citizens destroyed themselves —and it became rotten-ripe for takeover.

In effect, Imperial Rome was the ultimate "consumer" society. Its population was largely unemployed, except for those who fought its wars and policed its far-flung borders, and that vast unemployed population depended upon the state for survival. The idea of people being satisfied with "bread and circuses," the very phrase, comes from the heyday of the Roman Empire, when the Empire sustained the population of Rome on the public dole, and kept them amused with grand, bloody spectacles, provided at the expense of the state. By 354 A.D., shortly before the end, there were 200 official holidays a year in Rome at which the mob was treated to such monstrous "entertainment," and the circuses and arenas were expanded to hold hundreds of thousands of people.

With the population so degraded, is it any wonder they did not rally against the invading "barbarians"?

The modern-day apologists for an "American Empire" may hope that they can avoid Rome's fate, but in fact, the postwar United States, especially from 1964 to the present, has increasingly followed both the ideology and the physical economy of the Roman Empire. The United States has shut down its own production, and brought in tribute from the rest of the world. We have increasingly taken up military "police actions," rather than developing collaborative relations with other sovereign states. Our State Department, under Henry Kissinger, adopted a policy of depopulation, genocide, against less-developed nations. Our population has become increasingly entertainment-oriented and ignorant, and has followed the Roman pattern of depopulation, as sexual perversion and hedonism become more dominant aspects of the culture. We have increasingly adopted a disdain for human life —the lives of people from other nations, and our own.

The United States, of course, is still *not* an empire. We have a Constitution which embodies the republican principle of the general welfare, and a history of fighting for technological progress and against oligarchy which remains embedded among a substantial part of our citizenry, and our institutions. To make us into an empire, would be to eviscerate that tradition. But those who seek to turn us into that path, have considerable power, and have not yet been defeated.

It's a good time to remember the fundamental fact that empires necessarily destroy themselves. As Rome did, with the results seen so starkly in 410 A.D.

All rights reserved © 2002 EIRNS

[top of page](#)

[home page](#)