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THIS WEEK YOU NEED TO KNOW

The Ever-More Electable LaRouche Tells You — What You Must Do About the Economy— Now!

by Lyndon H. LaRouche, Jr. — Oct. 10, 2002

The big news from Brazil should remind you, that now is the time for you to act, to put the brakes on the onrushing new world depression. The first step you must take, is to force the Federal government to take immediate action to stop the ongoing collapse of the railway and air-travel systems. The second step you must take, is to help me push through a stubborn Washington, D.C., a broad set of job-creating measures in rebuilding much-needed basic economic infrastructure. The third and last, but not least thing you must do, is to back my campaign for an overdue, immediate general reform of the presently collapsing world monetary-financial system.

The big news from Brazil's elections, is that, on Oct. 6, in the biggest single election-vote victory in the history of the nation of Brazil, my friend, the highly distinguished Dr. Enéas Carneiro, has received an historically unprecedented, earthquake-making 1.5 million or more votes cast for his election to the Federal Congress from São Paulo. This came on top of a recent vote of Italy's Chamber of Deputies in support of my proposal for immediate steps to establish a New Bretton Woods reform of the world's present international monetary system.

The signs are, that our time— yours and mine— has come.

What has shocked Dr. Carneiro's opponents and my own, in both the stunned Brazilian mass media, and in official Washington, is that "Dr. Enéas," as he is known famously in Brazil, had recently hosted my June 12, 2002 nomination and inauguration as an honorary citizen of the City of São Paulo. During my visit there, I delivered three major public addresses on Brazil's situation in a currently onrushing, already extremely critical world strategic situation. I took the occasion of my inauguration as an honorary citizen of São Paulo, to deliver an address on U.S. relations with Brazil under my proposed U.S. foreign-policy doctrine.

Time To Face Tough Facts!

The first fact sane citizens will face, is that, contrary to current White House flim-flam, both the United States and the **whole** world monetary-financial system are hopelessly bankrupt, with banks, industries, and jobs in a spiral with no visible bottom. This is not just nations such as Brazil, Argentina, and Turkey. The combined world indebtedness total of some \$400 trillions (loans, futures, mortgages, etc.), is unpayable.

Whole categories of financial assets and obligations are becoming worthless. So even though the U.S. Gross National Product is posted at \$10 trillions, the total U.S. debt now stands at \$32 trillions (government, corporate and household

combined), and annual debt service on that requires in the range of \$7 trillions— or over 70% of yearly U.S. GNP! Any sane accountant would look at these numbers and shriek, "Bankrupt!"

We— you and me— must either force through an available workable alternative to the present, collapsing system, as President Franklin Roosevelt did in his time, or plunge into chaos and war. I am now leading a worldwide drive for bankruptcy reorganization as the only existing real solution for this global catastrophe.

I need your active support. Around the world, my opponents, including those inside the International Monetary Fund offices, are shivering up and down their backside, in fear of the spreading influence of my work. The Brazilian Oct. 6 vote for Dr. Enéas sent the "Washington Consensus" of the International Monetary Fund, the World Bank and Wall Street apparatus, into visible political convulsions. Those financial officials and their political flunkies think of the present financial system, as the hen said about the crocodile's egg she found in her nest, "It's ugly, but it seems to be mine."

That is key for understanding the importance of the Sept. 25 decision by the Parliament of Italy, the fifth largest economy in the world, which passed a resolution for a "new financial architecture." In effect, this vote ratified the proposal of LaRouche, for international collaboration to establish a "New Bretton Woods" set of arrangements for stable currencies, investments, etc.

In the United States, the financial and economic collapse has reached the point of pending shutdown of the rail and air systems, among many other crises. I have circulated massively a "November Emergency Program" for infrastructure-building and financial emergency measures, to force the issue right now in Washington, on what must be done.

Stop the Economic 'Horror Show'

A fellow was once asked, "Why did you elect to go to Joe's Restaurant?"

The fellow shrugged, and then replied: "It was the only one in town, and I was pretty hungry."

That is probably the chief reason sane citizens will tend to elect me as the next President of the U.S.A. To judge others by their past performance on economic-policy questions, I am, so far, the only electable source of actually available solutions in town. My enemies wish to be rid of me, but they have so far failed to offer our sane citizens any plausible alternatives.

That, short and sweet, is the simplest way to explain my soaring degree of **electability**. Check the merchandise before buying. Look at what I had forewarned would happen during the present period. Speaking on an Aug. 24 webcast, I said, "The Plunge Protection Committee, and similar kinds of people, are beyond the point that they can continue to control the appearance of the market, the financial markets. The market is disintegrating. This has been going on at an accelerating rate over the past two months.

"September is going to be a horror show, on the international financial markets. It's going to be a horror show for bankruptcies throughout the United States. We're looking at mass layoffs, with no return from them in sight, no recovery in sight. And therefore, that's the big pressure [for war on Iraq now]."

Pure and simple has it. I was dead right on all points. The **collapse of the system** is hitting all sectors and all nations, no matter what wild-eyed lies are stuffed into White House pronouncements and mass-media headlines. Some say that jailing a few "bad apples" will make the economy recover! If the truth were told, the prisons have not been built large enough to hold all of those bad apples from inside or outside of the Congress and Executive itself. Enron was not downed by corruption, it was corruption in and of itself, and, in large part, the Congress, led by Sen. Phil Gramm, voted that

corruption into existence.

Consider some facts worth remembering.

* The U.S. third quarter, which ended Sept. 30, was the worst stock-market catastrophe since the Crash of 1987, with worse to come. The Nasdaq index has lost 78% of its market value since its peak in 2000.

* The same situation prevails abroad. In Japan, stocks sank to a 19-year low in September, and now constitute a crisis for bank holdings. In Germany, the Nemax-50 index of German "New Economy" corporations has gone so low that it will be shut down by year end. The German DAX index has lost 70% of its value since March 2000.

* U.S. Federal, state, and local government budgets are now headed for blowout. Combined state government deficits hit \$38 billions over just the 12 months ending June 30, 2002, as combined state revenues plunged 8%. The Federal budget went from contrived surplus status, into approaching a \$315-billion deficit as of the Sept. 30 year end.

* Internationally, the various categories of national debt loads (Brazil, Argentina, Turkey, and others) totalling some \$4 trillions, are unpayable, period.

* The last of the U.S. big bubbles— home mortgages and refinancing— is about to burst. U.S. homeowners' mortgages total \$5.757 trillions; on top of that are \$5 trillions more in risky obligations issued mainly by Fannie Mae and Freddie Mac, the giant secondary housing-market agencies.

* U.S. financial houses are in meltdown. The market capitalization of JP Morgan Chase, the second-biggest U.S. bank, has fallen 71% since early 2001, from a peak of \$106.5 billion to just \$31 billion. Morgan is not alone. Charles Schwab, Morgan Stanley, Merrill Lynch, Goldman Sachs, Citigroup, and Lehman Brothers are all down over 50%.

* Foreign money is fleeing U.S. stocks. In the first half of 2002, foreign investors purchased just \$58 billion of U.S. stocks, a 50% decline from the \$116 billion they purchased during the first half of 2001.

* The rate of U.S. layoffs and corporate bankruptcies is now at the stage of shutdown of the economy. Since August of 2000, 1.9 million manufacturing-sector jobs have been lost, including **1.5 million production jobs**.

Who Said What, and When?

"This is a crash," was the Oct. 1 statement of the Chief Economist of the Deutsche Bank, Norbert Walter. Then during the ensuing week, leading German bank stocks plunged by double-digit percentages.

Other international spokesmen are equally outspoken in the face of the crash. But in the United States, the lunacy that "the fundamentals are sound," expressed Aug. 13 by President Bush, at the Waco, Texas Economic Summit, still prevails as the "official" insanity of the land. One example of what this means in practice: The White House wants to underfund Amtrak, the U.S. passenger rail service, by less than half of what it needs to operate in 2003, meaning the shutdown of six major inter-city routes (Florida to California; Chicago to New York and Texas, etc.).

Hence, the urgency. As I said in an Aug. 24 webcast, "It should be clear by election time, for these state, Senate, and so forth elections, that anyone who is not pushing for infrastructure, is not working in the national interest. Therefore, we have to have a weeding-out of those members of Congress, who, among their other faults, are not pushing for immediate

restoration of rail service, and defense of air traffic. Now, that's only the beginning, but those are two areas, integrated areas, on which the President must act immediately, now!"

I call for the convening of a New Bretton Woods conference— to deal with the trillions of dollars of unpayable financial claims of all kinds (debts, derivatives, collapse of inflated assets, etc.) and to set up a new world financial system of stable currencies, capital investment, mutual-interest trade, not free (rigged) trade, etc.; and secondly, for a full-scale infrastructure-building drive of the world "Land-Bridge" system, centered on the Eurasian Land-Bridge, as the economic and science driver for the 21st-Century recovery.

For the United States, I have spelled out what this means for the "North American Land-Bridge" programs and infrastructure-expansion, involving the creation of millions of new jobs, in my "November Emergency Program," released Sept. 30 for mass distribution. My Aug. 23, 40-page "Special Report— Science and Infrastructure," is circulating in capital cities from Moscow to Manila. These policy concepts are now part of an urgent debate and deliberation in many parts of the world.

I have already pointed to the debate which took place Sept. 24 and 25 in the Italian Parliament. During that debate, Deputy Giovanni Bianchi told his colleagues just before the final vote, "Not by chance, one speaks of a New Bretton Woods. I believe that we are in such evident disorder, that the need and demand for some order is necessary. Let us not let a figure like Lyndon LaRouche— who forecast the destiny of the bubble— stand alone as the only one to carry on this issue."

November Emergency Program

On Sept. 30, the LaRouche-in-2004 campaign released its first press run of the new 24-page "Emergency Intervention: Candidate LaRouche's 'November Program' To Rebuild the Economy." Its major focus is on rail and air transportation, and also covers all other hard and "soft" infrastructure, from ports and waterways, to water supply, land management, and power systems to hospitals, public health, and Classical education.

* **Rail:** For passenger service, Amtrak is now "one wreck from shutdown." The workforce, repair shops, rolling stock, and maintenance have been cut to below minimum. **A re-regulated, high-speed, intercity, continental system must be built, bringing magnetically levitated (maglev) trains on line.**

* **Air:** Commercial aviation is in meltdown. Over 200,000 airline and aerospace jobs have been cut from June 2001 to July 2002. **The Federal government must defend the route structure and the workforce; the system must be expanded in a fully integrated way with advanced rail, ending "short-hop" flights and hub congestion.** Part of the aerospace workforce can produce maglevs— "flying trains."

* **Waterways:** The 12,000-mile U.S. inland waterway system has 240 commercially active lock chambers, of which 113, or 47% of the total, are 50 years old or older, way past their life expectancy. **The U.S. Army Corps of Engineers must be mandated to upgrade all waterways, and ports— seaboard and inland, integrated with rail and air— to handle vast new freight flows expected from an economic boom in the Americas and worldwide.**

* **Electricity:** For the past 25 years, the power system has been subverted by financial disinvestment, and then by deregulation-profiteering, to the point where generation capacity margins are below reliability requirements; transmission is decrepit, etc. **Re-regulate power; renew nuclear-power programs, including "assembly line" output of modular, high-temperature gas-cooled reactors.**

* **Water Supply:** Lack of building new water sources, not Mother Nature's droughts, is what lies behind our water

shortages. **Build the North American Water and Power Alliance Project; and coastal nuclear-powered desalination facilities.**

* **Public Health and Hospitals:** The West Nile virus epidemic reflects the takedown of public-health functions (pest control, disease surveillance, etc.). The 1946 "Hill-Burton" Hospital Survey and Construction Act was passed to raise ratios of beds/thousand to 4.5 (urban) to 5.5 (rural). **Launch a new "Hill-Burton" hospital boom; repeal all HMO laws. Build up public health. Restore DDT and science.**

My "November Program to Rebuild the Economy"— in the style of Franklin Delano Roosevelt— gives sector-by-sector summaries of the crisis, the technologies and policies required to solve them, and how to pay for it all. Though we stand on the edge of historic catastrophe, we can force a new policy turn toward true national security and hope.

FLASH!

'Separation of Church and Mental State'

Here is the edited transcript of Lyndon LaRouche's 70-minute dialogue on The LaRouche Show Internet radio broadcast, Oct. 12, 2002.

MICHELE STEINBERG: Good afternoon. Welcome to the LaRouche Show. This is Oct. 12, 2002, and this is your host, Michele Steinberg, counterintelligence co-director of *Executive Intelligence Review*, and editor of *EIW*, our electronic magazine.

This week, some might say, the lunatics took over the asylum, when the United States Congress, and the United States Senate, voted to give unfettered imperial power to President George W. Bush, for his war against Iraq. Is it his war, or is this a war that's been planned by a bunch of lunatics, Armageddon millennarians, and a nest of Israeli agents, who have been working on this agenda, for more than 20 years?

We learned late this week, that one of the people involved in linking the state of mind of the President, with the Christian Zionist lunatics, is the key speechwriter, Michael Gerson. He's a former chief aide to the Ambassador to Germany, who has been on a rampage there, after the German Chancellor Schroeder, and leading members of the German Establishment— and of course, the LaRouche movement, led by Helga Zepp LaRouche in the election there— who had opposed the imperial war with Iraq.

What's the connection of the Christian Zionists, the Israeli right-wing fanatics around Gen. Ariel Sharon, the German and European opposition, and the folly of the U.S. Congress?

That's our topic today— what Lyndon LaRouche called earlier today, "The Separation of Church and Mental State," which we'll discuss with the candidate whose leadership stands out around the world, for the United States, and for the betterment of the world situation. That's our guest, Democratic Party Presidential pre-candidate for 2004, Lyndon LaRouche, who's on the line with us from Germany. Welcome, Lyn.

LAROCHE: Good, good to be with you.

STEINBERG: Great to have you.

Let me say, 14 years ago, on Columbus Day, Oct. 12, 1988, you were in Berlin, in the shadow of the Berlin Wall, a divided Berlin, and you forecast that the time had come for that Berlin Wall to come down, and that Berlin should be restored as the capital of a unified Germany. You said these things at the apparent height of the Soviet Union, and you were right. Germany was unified, the Soviet Union fell, you were exerting real leadership.

Now, ironically, the United States today is trying to be an empire. And the American people— unlike the American press, and the members of Congress, who may privately be dismayed, but publicly goose-stepped their way into giving Bush his power— but the American people are frightened, dismayed, horrified, that the President, well, he might be mad. You've led the opposition to the imperial Iraq war, and I'd like you to tell us, those of us who don't want war and destruction, what to do.

A Strategic Defense Policy

LAROCHE: Well, it's interesting, because my speech in Berlin, on Columbus Day of 1988, was actually an outgrowth of a policy I'd been working on for some time, since about 1977, when I had begun to realize the direction things were being moved in, by people like Zbigniew Brzezinski, who was just becoming the National Security Adviser for President Carter. But, as a result of that, I got into a brief discussion, very brief, with Presidential candidate Ronald Reagan, in New Hampshire, at a gun-show appearance of several thousand people. And as a result of that, and some other things, in the immediate transition period, I met a number of people who were coming into the new Administration, with whom we had certain points of agreement, as well as disagreement. And I laid on the table, a number of projects I was working on, which I thought the new Presidency should pick up on.

Now, many of them were not accepted, but some were. One which was accepted, a little bit after the inauguration, was a proposal I made, which later became known as the Strategic Defense Initiative. Now the Strategic Defense Initiative became quite a football, after the President announced it officially, as such, on March 23, 1983. And what was being pushed by the Heritage Foundation, then and now, is a bunch of junk, which wouldn't work then, and wouldn't work now.

But what the President and I proposed, as taking it out of the mouth of the President, from what he said publicly, and that five-minute segment, televised on March 23, 1983, it was my policy then— and is my policy now.

Now, the problem is this, which brings the whole business right up to date, to where we are right now. My policy was, then, that of what is called strategic defense. Strategic defense, as a concept, was elaborated in Europe, in the experience following the 1648 Treaty of Westphalia. It first came to the surface in France, in practice, by a great military leader of France, during the 18th Century, a fellow called Vauban. A great commander, who built fortifications at places like Bellegarde, and Neuf Breisach, which were undefeatable, up to the point of the Franco-Prussian War, in 1870-71. That is the Belfor. That is the one place in France that withstood the Prussian forces during that period.

Lazare Carnot, during the time of Louis XIV's reign, wrote a paper in defense of Vauban, in praise of Vauban, which outlined a policy of strategic defense, based on engineering and logistics: that, instead of going out to fight wars against nations, one must develop a capability of strategic defense, which would defeat an assault, and would thus allow the nation to press for peace, over any adversary attacking them.

This same policy was adopted by Germany, by Gerhard Scharnhorst, the founder of the modern German military system, prior to the Hitler time. This also became the policy of the United States, especially after 1814, 1815, when West Point was retooled under Presidents Monroe and John Quincy Adams, retooled around this idea of strategic defense. So, the traditional policy of the United States, as we saw with MacArthur's conduct in the Pacific during World War II, or the U.S. policy in World War II, generally in Europe, was one of strategic defense.

We did not have the best fighting force in the world, in World War II, but we had the best logistics, logistics developed under Roosevelt, intentionally, for the contingency of war, and we won the war with logistics, even though the German military was, man for man, much more capable than any other military force on the planet, at that time. So, that's been our policy.

Now we come to a period, in the postwar period, in which people called "utopians"— and the whole crowd was built around two guys, Herbert George Wells, best known as a novelist, but actually a leading member of British Intelligence, and Bertrand Russell. They developed a policy of utopianism. Their policy was, that the development of nuclear weapons, which Wells had proposed as far back as 1913, in a preface to one of his books— .

STEINBERG: Nineteen-thirteen, that is, decades before such a thing existed.

LAROCHE: Yeah, he was working on the work of a fellow called Frederick Sodie, a chemist who worked with Rutherford, and they had worked through the idea of radium as a weapon. So, it was the idea of Sodie, on radium as a weapon, which was Wells' first proposal to use nuclear action, nuclear weapons, as a weapon of terror, to force nations to submit to world government. By that he meant really, Anglo-American world government.

Then Russell pushed through the development of nuclear weapons, going into World War II, with the idea that in the postwar period, *he* would use nuclear weapons, for preemptive warfare, the same preemptive warfare that is coming out of the President right now. Preemptive warfare. Not against an attacking adversary, or even a capable adversary, but someone you wanted to eliminate, just in case they might lead to something in the future. It's contrary to all our policy, as Senator Byrd emphasized correctly, and emphatically, in the proceedings which have just concluded in the Senate.

Well, anyway, that was our policy. But Russell came along with this idea. He got the Rand Corporation, through his network of friends— people like Szilard, Wigner, and so forth, the whole bunch of cronies— and they got through the Rand Corporation, around the idea of creating the Air Force as an independent army, they set forth in the United States, from the end of the war, both the bombing of Nagasaki and Hiroshima, for which there was no military purpose at that time. Japan was already a defeated nation. We never had to invade. So no million lives were saved by that bombing.

But the bombing was set forth in order to introduce a policy, that through a triad, of nuclear weapons deployed by land, by sea, and by air, that we'd be able to intimidate the world, into submitting to world government. In 1946, and beyond, Russell continued to propose a *preemptive war*, nuclear attack on the Soviet Union. And that was his policy— which was defeated. This was defeated essentially by the election of President Eisenhower. And Eisenhower kept these nuts under control, and Eisenhower kept these nuts under control, at least to some degree, as long as he was President.

However, as soon as he got out of the Presidency, in 1961, it wasn't that Kennedy was not capable, but Kennedy did not understand the military problem, the way Eisenhower did, and Kennedy did not have the influence with the U.S. military, to *check* the military forces the way that Eisenhower had done.

So, with that point, the world began to go into this period, which included the 1962 Missile Crisis, and so forth, which led into a policy of nuclear standoff, and a permanent nuclear terror, as a way of bringing about world government, to end sovereign government, including that of the United States.

Now, in the 1970s, that's what I was up against. It was getting ripe, under Kissinger. Brzezinski was a more active nut, than Kissinger, and pushed much harder. And he had a crowd about him which were pushing for preemptive nuclear war. That was the policy of the Brzezinski group, 1975 to '77, coming into power. They ran into frustrations, but it was there. So I attacked this problem. I said, how do we deal with this system? We're prisoners of nuclear terror, Mutually Assured

Destruction.

New Physical Principles

So, I went to work and said, look, nuclear weapons are not indefeatable. We can not defeat them right now, but they're not indefeatable. There are **new physical principles**, which, if applied, would develop weapons systems which could take out a full-scale ballistic attack. Not all of it, but most of it.

Now, the point is not to develop a superweapon as defense. That was not my purpose. The point was, as Reagan expressed this in March of 1983, and again at Reykjavik on Oct. 6 and 7, 1986. Reagan's policy, as opposed to the nuts at the Heritage Foundation, the Danny Grahams, and the other nuts, his policy **was** to get the Soviet Union to come to an agreement, on the coordinated development of these kinds of weapons, to free the world— that is, the two leading superpowers would agree to free the world from the terror of nuclear attack. Not by Mutually Assured Destruction, but by developing a superior system. And to use the cooperation, in advanced technology, to benefit the civilian economy of the world, including both powers.

Now, that was the policy I pushed through. I worked on the technicalities of that, with the German military, people like the late General Karst, and many others in the German military. With the leaders of the French military. With the leaders of the Italian military, and so forth and so on, around the world. We had, in 1982-83, and beyond, we had an international agreement among top specialists in science and military leaders, some serving, some out of service, but an agreement on this policy. It was my policy.

Now, what I had done, because the Reagan Administration put me into a back-channel discussion with the Soviet Union— this was 1982 to '83— and during that period, we had these discussions. In February of 1983, the spokesman of the Soviet government, meeting with me, reported back from Moscow, that the Andropov government would reject my proposal, if the President were to offer. Remember, the President had never offered it at that point. I warned him; I said, look, if we agree, and this proposal is agreed to, this policy will save the economy of the Soviet Union, which is in the process now of disintegrating. I said, that if Andropov were to reject the proposal, after the President made it, I can guarantee you, that the Soviet government, Soviet system, would disintegrate, in about five years.

So, now five years later, less than five years later, 1988, as a Presidential candidate, I presented a policy in Berlin, and said, "We are on the verge of the collapse of the Warsaw Pact system, and what the next government of the United States must face, its fundamental question, is, how is it going to deal with the collapse of the Soviet, Warsaw Pact system?" I proposed that we do the same thing that I had proposed with the SDI; I proposed cooperation with them, to bring about a *positive* peace, rather than a negative one. And so, they got me out of the way, right away.

But my proposal was based on my understanding of what the economic process was, both in the Soviet system, and in our own system. That the United States, I knew, had been on the road of self-destruction.

Now, we've reached the time. The Soviet system died in 1989-1991, about six years after I had warned it would under those conditions. Today, we're now at the point, we're in the worst depression, in the experience of any living person on this planet, right now. This system is coming down, coming down hard, like you've never seen before. The only thing that will save us, now, is a return to policies like those, that is, the attitude of a Franklin Delano Roosevelt Administration. Not exactly the same policies, but changes in policy which take into account the benefits of that experience.

We can save the U.S. economy. It will take a generation, of work, to put us now, back to where we were as a powerful economy, back in the mid-'60s. We can save the world system. We're also on the verge, if we *don't* do that, we're on the

verge of chaos. So, the significance of what's going on now: You have a President, who needs to know the difference— as we see with this Gerson— he has to discover the difference between church and mental state. Because, what we have on our hand, and the Gerson case illustrates it: You have a certifiable, dangerous lunatic who's using the language of the Armageddon freaks, and inserting that language into the speech of President! Like the recent speech. And they are disorienting this President, to the point of insanity, by giving him no alternatives for dealing with the economic crisis, and pushing him into a war he doesn't understand, and that will destroy his Presidency, and probably our nation too.

And that's the problem we face. We *can* get out of this.

The other problem is, that I face — What happened in the Senate, despite the efforts of Senator Byrd, and Senator Kennedy, and a few others, is that insanity and cowardice took over the Senate, by voting for this unconstitutional, lunatic resolution. That it now happens that I, as a Democrat, am the only leading Democrat in the United States, at this moment, on the issues of war, and economy. That is, no other leading Democrat, as a national leader, or prospective Presidential candidate, has the slightest bit of credibility or competence, at this moment, on questions of how to deal with the war, or, above all, the economy.

So, that's the similarity. We've lost a lot of time. We suffered a great deal of destruction, because I was out of the way, and because George Bush's father, together with Margaret Thatcher, and Mitterrand, and a few others, went the wrong way in 1989-1990, on dealing with the breakup of the Soviet Union. They destroyed the world economy, rather than using the opportunity to build it up.

Now, later, a dozen years later, we're at a new breaking point, where we can either go to war, or we can come to our senses. Put the lunatics back into the churches, and let them have their churches, but don't put them in the White House. And in this frame, go ahead, and work on rebuilding the economy. That's where she stands right now. That's my experience, and that's where I stand, still.

STEINBERG: Thank you, Lyn.... You've spoken about the insanity and cowardice that's alive and well in Washington, but there is another side to that. And that is a powerful resistance inside the population, and inside the Democratic Party, around Lyndon LaRouche's leadership. Lyn, I understand your campaign is going to be putting out another mass leaflet, a follow-on to the series of leaflets that we had over the summer, around the theme of the "Electable LaRouche," and "The Pollard Affair Never Ended!"

This one is called, "The Ever-More Electable LaRouche Tells You, What You Must Do About the Economy Now." So, there's a solution on the table, and the first question I want to take up, is from another LaRouche candidate, this one from Connecticut, Laurie Dobson, Democratic State Representative candidate in Connecticut, in Lieberman's area, who asks if you would elaborate on the economic plan for reconstructive economic recovery.

Before you answer, let's just mention that there was very big news from Brazil, from another candidate who took up your economic policy, Dr. Eneas Carneiro, who received an historically unprecedented, earthquake-making, 1.5 million votes, for the Federal Congress from Sao Paulo, where you were made an honorary citizen. So, we've got two candidates, one who won, one who's facing election in a few weeks, running on the LaRouche policy. Can you comment on Laurie Dobson's question?

Emergency Legislation — For a National Infrastructure Program

LAROCHE: Well, first of all, the first thing we have to do, and we have to force the President to do it— not force in the sense of holding a gun to his head the way some of these crazy loonies are, but rather very simply— we have to make clear

to the President, maybe through his father, maybe through circles, whatever it takes, that he, as President, with the support of the Congress, must put through the appropriate emergency legislation, to do **immediately**, right now, before the election, two things. One, emergency legislation— call an emergency session of the Congress. Look, the Congress isn't doing much useful anyway, up there campaigning away. Get them back in, on the question of the economy. Two things.

One, the national railway system. We have to stop the bleeding of the national railway system. That is, stop the disruption right now, and start to reverse, to rebuild.

Number two, we must intervene— with the imminent collapse of United Airlines, into bankruptcy, and many other airlines will go with it, if we don't stop it— we must have emergency legislation, which takes the situation over, and stops the breakup of our national air-travel system.

Those are the two first test cases, of the will and temper of the American people, the Congress, and the Presidency. If they don't do those two, they're not in the real world. Right? And Laurie will understand exactly what that means, in terms of the Boston-to-New Haven-to-New York route, of travel, and commuter travel, in the Greater New York area, and in the Connecticut area. It's obvious. We need that now.

We need that for two reasons. First of all, we must save these two institutions of infrastructure, whether privately owned, or public. We must save them, for the American people; otherwise we are not going to be able to rebuild this economy. Now, those are test cases, of the will and intelligence and competence of government, and of the Congress. We don't care what Phil Gramm says; he's going out anyway. We do it.

This is also to set into motion, the will and commitment for expansion of employment, in the U.S. economy, not junk employment, but basically economic infrastructure employment, and also to reactivate some of those essential industries, which are at the point of plunging into bankruptcy now.

Look, the entire automobile industry is on the verge of collapse. Do you know what that means for employment in the United States, when you take what parts of the United States depend for their employment, upon the automobile and related production. Now, we can't have a collapse in that sector. So we have to use infrastructure development, as a thrust, where the government gets the credit mobilized, for low-cost, long-term— we're talking about 25-year— long-term program of rebuilding, and maintaining, essential infrastructure.

Not only in transportation— we have a power crisis. That must be addressed. We have a water-management crisis, including fresh-water crisis, and sewage handling, in many parts of the country. We have problem of distribution of electricity, not only production. We've got to get back, to an integrated, regulated, state-regulated, Federally assisted program, of combined, integrated production-distribution of electrical power, and other power. We must have a water-management program. We must rebuild, essentially, our urban centers. We are insane, in what's happening with our urban development. We must fix that, for future benefit, and for present employment.

We must rebuild our health-care system. We must return to a Hill-Burton policy in health care, under which the Federal government, in cooperation with private interests, in cooperation with states and counties, and municipalities, will go back to a Hill-Burton objective of providing adequate medical care, in terms of beds, as a measurement of medical care— beds by type— in hospital facilities in every county in the United States. We must go back to that system, as opposed to the system which broke down after 1973, under the HMO system.

We must also recognize, that we've gone into a post-industrial society, as reflected in an educational system which is no longer producing people for survival, in an agro-industrial climate. We are no longer educating people, for competence, in

an effective economy. They don't have the skills. The education, the knowledge, needed to function in a healthy economy. They are being educated for a broken-down, dying economy. So these are the areas.

We're going to have to have a high-technology orientation, for international trade. There are tremendous potential markets, for long-term investment, in Eurasia, in rebuilding Africa, and in rebuilding Central and South America. We must build up those industries in the United States, which are export industries, export-type industries, which produced products of the type needed, on the basis of long-term credit, for developing the infrastructure, industry, and agriculture, of Central and South America, Africa, and Asia. The biggest market in the world is Asia— China, Southeast Asia, the subcontinent of Asia. Also, there is central and north Asia, which are presently undeveloped areas, with tremendous natural resources. We can access that, as a part of the process, if we assist in the kind of infrastructure development, which will make those areas of raw materials, accessible to the world market.

So, we have alternatives, but we have to start moving down that road. We have to give the world the confidence that we are once again sane, that we as the United States, are going to respond to our tradition, and provide the focal point of leadership, not domination, not imperialism, but leadership— bringing nations together around a common purpose, with our weight put in the scale, of this progress, to rebuild the world economy, and get out of this destitution, get out of this decadence which has seized us for the past 35 years, especially the past 20 years. Get out of that, and go back to being sane Americans once again, with a future for our children.

The thing you see that I see, that many of you may not see, I see out there, in 18-to-25-year age groups, young people of college age, university age, with no future. The Baby Boomers of this country have to wake up to the fact, that they have given their children, no future. And the way to define our morality, is to think of those young people, aged 18 to 25, university age, who have no future, right now, the way things are going. And think ahead to **their** children, coming a generation later. Are we providing for ourselves today, for those young people today, and for their children to come? Are we providing a future for them? That's the test of our morality, and that should be the primary focus of our idea of national security. Can we have secure relations among nations? I believe we can.

The Sniper Case: — Targetting the U.S. Population Psychologically

STEINBERG: ...Lyn has just outlined a challenge to the American people, to embrace the American intellectual tradition, and his leadership, which is being taken up around the world, in places like Brazil, where his collaborators have gotten unprecedented votes. Among a youth movement, which says, we do have a future.

Now, Lyn, you're bringing hope, and there's a lot of fear about personal safety, jobs, etc. You called for the President of the United States, to take some emergency action, forget waiting until after the election, a job program, infrastructure program.

There's another dynamic going on, and a number of people have asked me to ask you this. A supporter in Northern Virginia said, "I wonder if you'd like to comment on a rash of sniper killings in the Washington, D.C. area. There are many aspects to this. They point to different things— professional military intelligence operations; in short, the killings have the entire D.C. area in a state of fear. Can you tell us what you think on this?"

LAROCHE: Well, I think there are certain things that should be said, and some things that should not be said. There's a tendency of people, out of desperation, to go around shooting their mouths off with suppositions, in a crisis. This is typical of bad police forces, which, when they have a crime they can't solve, they say: Let's assume somebody did it, and let's go out an arrest them and put them in prison, or shoot them or something— without finding out first, who actually perpetrated the crime.

Now, what we have on this thing, is, we know that the pattern of escape— that is, the shootings as such don't tell us much, except the obvious: that somebody's doing a sharpshooting job, probably with a telescopic sight of some sophisticated rifle and a sophisticated type of ammunition. That's all that tells us. However, the fact that, in each of these cases so far, the perpetrator has escaped detection, means that this is unlikely; an unlikely, improbable event, unless somebody is providing an escape mechanism, in advance, to back up the shooter, or shooters, as the case may be.

Therefore, we have to assume, that there is an operation involved, not an individual shooter. That the operation has organization; it has sophistication on the level of at least a police force— that is, people come to investigate crimes, learn from that, how to commit them. And it could be military; it could be something like that. We don't know. The important thing, is to emphasize what we don't know, and don't go shooting off in a wild direction out of desperation.

We can also know, that since this is obviously an organized effort, by someone unknown, that the effect that it's producing on the population is an intended effect. In other words, the purpose is to do, somewhat the same thing that happened on Sept. 11, 2001. Now, we know a few things about 2001. **We still don't know who did it.** Not the President nor anybody else, has given any evidence, that they know who did it. The idea that Afghanistan, the Taliban did it, Osama bin Laden: There is no evidence worth anything, to show that. We have some peculiarities of it, which tell us something. The attack was on the Twin Towers in New York City **first**, rather than on Washington first: That tells us, that the purpose was, to evoke a reaction from the U.S. population to go after Arabs. So, whoever did that operation— and it was an inside job, inside the United States; not necessarily by the government, as such, but by forces with capabilities of controlling government capabilities, to do that. And, whoever they were, they were pushing for the result, which some of the Chickenhawks, such as Richard Perle and Company, have been pushing for, for over a decade.

So, we know that much. We don't know who did it. And I've always insisted, "Don't assume who did it." What we have to go from, is what we know, both in that case, and in the present case, around Washington, D.C. We know it's an operation. It is targeting the U.S. population **psychologically**, in the way that the purpose of the operation of Sept. 11, 2001, was targeting the U.S. President and population psychologically. Therefore, we have to know that; we have to be cool-headed about it; and we have to get to work on it. But, don't assume, that because we haven't got the answers, we should run around, like chickenhawks with their heads cut off, demanding that we do this, or that, or so forth.

The worst thing that could happen to us, is somebody runs ahead with a supposition, that they think they know who did it, without any proof; and start looking for reprisals against a person, who they suspect might do it. That's the worst thing that would happen; and you would be playing into the hands of those who are running this type of operation, if you did.

STEINBERG: Thank you, Lyn. There really are those, who are trying to build panic about this. So, that's helpful.

We have more calls than I have seen, for a single program. We could have an entire international conference today. I'm going to try and manage it in the following way: Out in Detroit, Lyn, we have a campaign meeting going on of listeners. Michigan is the state where, in 2000, Lyndon LaRouche got well over 20% of the vote in the Democratic primary. Al Gore was in a mode of stealing LaRouche's votes, and we ended up with this mess in Washington, because of that. Let's not let it happen again.

Detroit is another area, Michigan is another area, where the "electable LaRouche Democrats" have won an election. One of them, Kerry Lowry, is one of the people at that meeting. I understand, there are three people ready with questions. What I suggest we do— John Ascher is hosting the meeting out there. I suggest we hear all three questions, and then have Lyn answer different aspects. Is that okay with you Lyn?

LAROCHE: Sure!

STEINBERG: Okay, let's go to Detroit.

The Majority of Americans Are Against the War

JOHN ASCHER: Here we are in Detroit, a few minutes from Ford Motor Co. Lyn, I want to read these questions.

The first one submitted is the following: "If the current financial oligarchy plans social, political, and economic chaos for the planet, then, what is their vision for the aftermath?"

The next question— which is a question I myself have received from a number of people, since I've been here— is the following: "The Muslim community in the United States has been terrorized by the current Administration policies, especially after Sept. 11, 2001. Muslims and Arabs were also targeted by IIRIRA [Illegal Immigration Reform and Immigration Responsibility Act], the immigration reform bill that was signed by President Clinton in 1996. The fear of further government retaliation is significant and justifiable. What can you tell them now, that will assure their commitment and long-term peace to overcome the fear they face and live in, for them to take an active role in your campaign?"

And the third question is really more of a comment, which is "How are we going to revive the steel industry?"

LAROCHE: Okay. First of all, the aftermath of this event in Washington, as I said, just a few minutes earlier, is that the Senate, the entire Democratic Party leadership in the Congress as a whole (with a few individual exceptions, here and there) has been totally discredited, on the issues of war and the economy. They're a bunch of weak-kneed cowards, who have capitulated for fear of not getting their campaign contributions from a crowd in New York and Detroit, and so forth. And, they have no view of the aftermath. They have no policy. They are completely— they're like chickenhawks with their heads cut off. They're running around, wild in the hen-yard; running wildly with no place to go.

On the question of the Arab persecution: The only way you can do that, is to get Americans to stand together, against it! Look, this is a McCarthyite-type of witch-hunt, and some people remember what that is. Now, I happen to have, briefly, been involved in fighting against McCarthyism, and then Eisenhower came in, and sort of put his foot on it— and stomped it. Truman had turned it loose. One of the reasons that Truman was defeated for reelection, was that he had started it, and it had run rampant under his Administration, despite his complaint about it. So, this kind of thing.

If we stand together, behind the leadership that will not capitulate, we're going to deal with it. Secondly, what we need, is more than just standing on the issue. What we need, is unity about a programmatic approach: We have a world, now is in the worst depression— nobody has experienced, in the United States or Europe, in their lifetime, a depression worse than that which is coming on right now. That is going to determine all politics.

Therefore, if we take stand, a united stand, against the war— and remember, the majority of Americans, right now, are against the Iraq war, despite all the baloney from Washington. The majority are against it. I've been looking at the figures: They're against it. So therefore, we have to take a firm position of leadership against the war, of the type the Senate did not reflect; and the House, certainly. Gephardt is finished as a leader in this country, for what he did on this issue.

We have to also have a positive approach, on providing real security, for real people, including economic security. If we stand together, as people stood together around Roosevelt, then we can bring these problems under control. And I think people know, I don't have a problem on this: If I'm in power, you don't have a problem, with this kind of thing— unlike some others.

On the steel industry, as such: Look, we're going to have to rebuild everything. We have processes, improved processes, which we put on the back burner, over the period from the middle of the 1960s on, especially in the 1970s— we tore down most of our steel capacity. But at that time, we had the capacity to develop improved processes for steel, and metals generally, which we just didn't bother to go ahead with.

In building an infrastructure program, one of the big challenges we have, is transportation. That means rebuilding a national rail grid, which has three components: It has long-range rail transport; that is, we must be able to transport goods, economically and efficiently, and in a timely fashion, from any point of production and large-scale purchase in the United States, to every other point of production or large-scale purchase in the United States. We must have that kind of grid: a national rail grid. We must supplement that, with a high-speed rail, which will mean also magnetic-levitation rail, especially in transportation in high-density corridors, such as the corridors from Portland, Maine or so forth, down through Boston, through Connecticut, through New York City, to Washington, D.C., and below. And so forth, similar places around the country.

So, this in itself, is going to consume a lot of steel and similar kinds of metal product.

We also must develop water-management systems. We've destroyed— we tore up a lot of steel that was being used in agriculture for irrigation. We sold it for scrap, reprocessed for scrap. We're going to have that water-management system, again.

We're going to have to build power-generation and distribution systems, to fill the gap, now. That's going to take a lot of steel. And this is going to be the hard core of priority, on rebuilding our basic metals-working and processing industry.

Also, the key for the future lies in breaking free of scrap, of old technologies, and going into new technologies, which produce a qualitative, better type of goods than we produced earlier.

We also will have vast markets, in South and Central America, and in Asia, for participating in programs of development of infrastructure and industries. This will take a lot of metal-working.

One of the functions of the Ohio, Detroit, and adjoining states, immediately adjoining area, is to restore an area which had these skills, which remembers these kinds of skills, remembers this kind of production, to make it once again, a machine-tool center of the economy of the United States.

And that's what I'm committed to— not because I'm committed to doing something good for Detroit, or something good for Ohio; but because that is what makes sense for the United States.

Brazil Vote and LaRouche's Influence

STEINBERG: Okay, Lyn. We have a crowded organizers' conference line, and there's about seven people with questions. We're going to ask Bob Baker to get people ready, and let's have three of the questions asked to you. And then, I can tell you, we have two calls from the campus movement: one, the editor of the University of Montreal newspaper there, Sebastian Malo, who sent us an e-mail question; and, an African-American student with questions that they encounter on the black campuses.

So, we'll go to the conference line, and then I'll read you the student questions.

Okay, conference line, go ahead.

Q: I'd like to know, sir, realistically speaking, how much influence— I know you have great influence; how much? Because you're not covered in the mainstream press, and when I talk to people about you, a lot know your name, but don't know quite where you stand. I guess, I'm trying to gauge just exactly how much influence you really do have, and if that is enough influence to bring this organization to achieve the objectives which we seek to achieve? And I ask this question, in all due respect, sir. I'm just trying to get a gauge on this.

LAROCHE: I get you.

STEINBERG: Okay. We'll take two more questions from the conference line. Please identify yourself and the state that your from.

Q: This is Doris. Mr. LaRouche, it's concerning your comments against, or towards the Christian Right: I would like to suggest that we find a way to reach them, rather than use language like "crazy lunatics," so we don't alienate them, and get them to understand that, if they think about their Bible, Jesus came to take away hate and war; and He would not send us into war against our brothers. Do you have a comment about that?

LAROCHE: Yeah, sure.

STEINBERG: Thank you, Doris.

One more questioner from the conference line.

Okay, Christine from Massachusetts, go ahead.

Q: [Partially inaudible questions about South Africa, the organization NEPAD, and Nigerian President Obasanjo.] They are now saying, Africa is performing well economically. Can't be, unless— I mean, someone is insane about the economy.

STEINBERG: Okay Christine, thank you. I'm going to have to repeat that, because you were breaking up a little bit. Lyn, the question from Christine is, to comment on NEPAD, the organization that was set up, and we've written about in *EIR*, that supposedly is solving Africa's problems. What's really going on there? "Let's not leave Africa behind," says Christine.

So, three questions: Go ahead.

LAROCHE: First of all, on influence: Influence is like a street-walker, who is looking for a customer. And political influence in the United States today, is walking the streets, looking for a customer. It just lost a customer— called "the Congress." People who want something, who have any sense, know they're not going to the Congress for it, right now.

And therefore, I'm filling a vacuum. I have more crucial influence around the world, probably, than any American, outside of the top positions of government, as such. In other words, if you go into Asia; you go into Europe; you go into Africa; you go into South and Central America— let me just give you the case of this Dr. Eneas, who was referred to earlier, just as an example of this. Dr. Eneas is a cardiologist, an outstanding cardiologist, and some years ago, a political formation was assembled in Brazil, centered around doctors, who were concerned about what was happening to Brazil, as doctors. And they sought to be a political force, to change some of the policies of the country, from the standpoint of a physician looking at the needs of a nation. He's a brilliant fellow. And, he hosted me, recently, in a visit I made to Brazil in June,

where I was made an honorary citizen of Sao Paulo, in a very elaborate and— I must say— ostentatious ceremony, with military bands and full panoply of routine; you'd think I was being inaugurated "President of the Earth" or something. It was very nice.

Dr. Eneas— we talked, and we discussed his prospects in the coming election in Brazil. I discussed it with his close associate, Dr. Havanir Nimitz, who was a leader of the City Council of Sao Paulo, which I think is the third-largest city in the world, at that time. And, they asked what I thought about his position in running for parliament, because he's run for President before. I said, in this exceptional case, I thought probably that it was a good idea; but I thought he would be very successful, at this time, because of the conditions developing in Brazil, and South America generally. Now, he just came off, with a 1.5-plus-million vote election to Congress. This is unprecedented in the history of Brazil: **No candidate for Congress** has ever gotten as large a vote as he has. The second-largest vote winner, among both Congressmen and state legislator candidates, was his associate Dr. Havanir Nimitz, who's a dermatologist. He's a leading professor of cardiology, who teaches about 200 doctors a year, in cardiology.

So, he came out with out this vote. Now, he is the only leading candidate, who did not sign onto an IMF agreement, implicitly, for the election. So, he comes out with a vote, which stunned all Brazil, and stunned the IMF, and stunned Washington. They're panic-stricken, about this so-called "unknown" (who is not really unknown), but who came out with a leading vote, who now controls or will control, a fraction in the Parliament of Brazil. They're freaked! The two leading candidates among all, were Dr. Eneas Carneiro and Dr. Havanir Nimitz.

So, this is an example, of how influence goes today. Stick to the right program, on the right issues, and at the right time, if you're there, and others fail, you'll get all the influence you need. And that's the case with me. I'm well recognized around the world, already. I'm a power-factor in world politics; I'm a power-factor, now, in Washington politics. No one can estimate what my influence is, but they have to say, it is great as anyone else's, in terms of what it would be like, say, a year or two from now.

The Christian Right Is Clinically Insane

On the second question: On the Christian Right— when I say "crazy," I mean it. I mean "clinically insane." Now, you have two kinds of insanity in life. You have individual insanity, which is clinical insanity. You also have forms of mass behavior, or group behavior, in which the individual may not be ordinarily insane, but when they're functioning in a group, the group as a whole behaves insanely.

Now, the collective political behavior of the Christian Right, so-called, in the United States today, is not only collectively insane, it's dangerous; its influence is dangerous to the health and welfare of every American citizen! These guys are like lunatics, throwing bombs. They're not throwing their own bombs: They're getting the President of the United States to throw bombs. And the effects of that will be terrible.

Now, yes, you're right in one thing; Your criticism of me is wrong, but you're right in the positive side. The positive side, is that Christ did not come to, shall we say, give man a program. Christ came to **redeem** all human beings: an act of love, of Christ, Jesus Christ. And that is Christianity. So therefore, it is correct to counterpose healthy Christianity— real Christianity— to fake "Christianity." And what is called the Christian Zionists is fake Christianity: It's a cult of a very dangerous type. And these people are sick; they need help. As individuals, give them help. As a group phenomenon, they're nuts.

On the question of Africa: Well, I don't much of a problem on Africa, in dealing with it, as a personality— I mean, I'm a friend of Africa, one of the few real friends that Africa has had, and I've been that for a long time.

Africa has no chance, right now. No one in Africa, inside Africa today, is capable of assuring the survival of sub-Saharan Africa. **No one.** There are good people in Africa, who, with assistance from the outside, and some protection from things from the outside, could organize, internally, the measures by which, with assistance, they could solve the problems of Africa. But there is no such thing as a purely internal solution for Africa's problems today. There is the prospect of organizing, within Africa, people who are natural leaders of Africa; who, if they have cooperation from outside Africa, can do the job needed.

The basic thing that Africa needs, economically: It needs grants of assistance, in developing basic economic infrastructure, which involves several things— transportation, especially rail; water management; power generation and distribution, this main trunk stuff; it involves health care, such as disease problems: diseases of plants, for agriculture; diseases of cattle; diseases of people. That is needed, as infrastructure.

Africa needs massive assistance, for this problem. The so-called AIDS problem is exactly one of these problems. It needs to be able to develop educational systems to meet the needs of development of Africa.

I'm committed to these things. I know people in Africa who represent commitments of the appropriate type. *We must support them.* We must support them, by concrete measures— that's the only solution.

Questions from Students: — AIDS, Africa, Native Americans

STEINBERG: I'm going to go to the student questions.

First, from a black campus in the United States: "A student-run newspaper recently slandered LaRouche, and some of the issues or questions that were raised were: Where does LaRouche stand on funding of historically black universities; on AIDS in Africa; on unemployment in the black community. Also, if the Founding Fathers came to America to found a republic, why did they have to wipe out the Native Americans? If they were not responsible, who was? And what was the actual reason for the genocide?"

Then I'm going to go to Montreal. My message to Sebastian Malo, who sent in several questions— as I said, he's editor of the newspaper of the University of Montreal, the biggest French-speaking university in Canada— he's got several questions here; I'm going to choose this one, on the UN Security Council, the international situation, and the war on Iraq. He says, "Mr. LaRouche: You are saying that the craving for war represented by President Bush is motivated by a need to hide the market crash. We know that this weekend, the Prime Minister of the UK, Tony Blair, is visiting Russian President Vladimir Putin, in order to convince him that he should favor an intervention in Iraq, as a member of the Security Council. If the UN votes and concludes that the war is necessary; if legitimacy for this war is international and favored by other leaders besides Bush; what would your position on the war against Iraq be?"

Before you answer, I will forward these written questions from Sebastian, because he undoubtedly plans to do an article for the newspaper.

LAROCHE: Okay, fine, good.

On the first thing, on this question of African, African-American, and Native American problems. First of all, I share the view of Frederick Douglass on education. That is, that freedom is primarily located in the freedom of mind; and secondly, in the ability to express that freedom as a human being, in practice.

Freedom of mind means that one has access to the essential knowledge of humanity, particularly in the culture that one is raised in, at that time. That was Frederick Douglass. Frederick Douglass and his children were epitomes of Americans whose level of knowledge, whose education, was above that of most college graduates in the United States today—relative to the knowledge of that time.

He's a hero; he's a hero for me, and for anybody else. For example, I had a great-great-grandfather who was a leader in the struggle against slavery, as a Quaker minister. They ran a section of the Underground Railway in the United States during the period of slavery. This area in U.S. history is clearly defined: There should be access to a Classical humanist form of education, for every so-called African-American— or should we say, Americans of African descent. There should be that opportunity assured.

This means that there should be support for the traditional African-American university programs and universities; to build them up in the capability to have this kind of education. We need people to be educated as leaders, and models of admiration for the rest.

On the Native American: You've got to look at the problem of the sins of the Democratic Party. First of all, the British and the French played games. They used the Indians for warfare for their own purposes. The British used Native Americans against independence. The French and the British used them against one another. Then we had one tribe, for example—the Cherokee— which is exemplary: The Cherokee developed, with the friendship of the United States, the colonists, they developed their own national culture, as a literary culture, and were developing very nicely their own culture, the Cherokees. Then, [President] Andy Jackson, working for a bunch of New York bankers, including people like Martin Van Buren, used military force to break up the Cherokees. Some of them were driven into Florida, into the Everglades, and others elsewhere. They were destroyed.

There was a policy of destroying the American Indian, from this faction. And I'm ashamed to say, the Democratic Party was one of the worst offenders, from its formation under Van Buren, and the Andrew Jackson Presidency— the first Democratic Party Presidency, actually, in the United States— up until Franklin Roosevelt.

It's a lousy history. What we can do, first of all, is give justice to those people who suffered this, insofar as we can reach them; give honor to the victims whom we can no longer reach; and show some respect for the fact that we made treaties.

I'll give you a very concrete example. You have something going on which is run by organized crime, international organized crime, including a strange fellow called Kerzner. This is tied to Joe Lieberman in Connecticut; it's tied to McCain in Arizona, and other things. These guys have come in, and they've taken the Indian reservations of the United States, and have created new ones, from artificial tribes that no longer exist, as in Connecticut. And they've used these to set up organized crime-controlled gambling operations in these territories. And the Native American leaders, in large degree, are protesting against what this represents.

Arizona is one of the areas of criminality of this type. You've got two Senators from Arizona— Republican Senators, Kyl and McCain— who ought to be questioned closely on this matter. Things of that sort.

So what we can do, is set a standard in these areas; a standard of justice; a standard of the sense of the importance of developing the individual to their fullest potential; of recognizing the injustices which they've had in the past; and taking those measures which will remedy, for the present and future, the injustices of the past.

This applies, in one case, to the victims of slavery, which was imported into this country by a combination of British, French, and especially Spanish slave-traders and their like, and allies in the 19th Century. This is something that's on our

doorstep. This was the evil which we fought, actually— this evil system; against the Confederacy, which seems to have come back and taken a lot of power in our country; and we have to deal with it today. We have to deal with it by *justice now*, and then look to the past and give honor to those who suffered unjustly in the past.

The Iraq War May Be 'Jammed Up'

Now, on the question of the United Nations' role. My best estimate at this time, is that the Europeans will tend to stand firm, despite tremendous pressure from the United States; from a guy called Coates, who I prefer to call, Ambassador "Coati." The United Nations will probably now not accept what Bush is demanding as a one-step resolution on Iraq. They will probably say, we're going to make a two-step approach: Insist on the inspection first; and then, if the inspection doesn't work out, we'll look at possible further action later. That is the current trend.

Now, if the European continent does not capitulate to the pressures of Washington and Tony Blair, it is likely that Tony Blair will back out of his support for Bush, and the war may be off. The danger is that people in Washington are now desperate. Not the military, who are desperate to avoid the war. But the Chickenhawks in Washington who are for the war.

By the way, the Russians are against this. They've firmly rejected Bush's pressure on this thing in the most recent developments. You may know this by now, as news report.

But the danger, of course, is that these people may go ahead with the war now, even though it won't work, it will be a disaster. But the people behind this don't care. They don't care if it's a disaster! That's why we talk about the craziness, about these so-called Christian Zionists being crazy. They don't care! They want the war. These are people who would rather die, and have everybody else die, than not have the war they desire to have happen. The danger of going ahead with the war, is that all civilization could go into the bucket if this were to happen.

So if Europe holds firm; and if Blair backs down, as he might if Europe refuses to along with him; I think the thing is jammed up; and jammed up at least until after the election, and probably until February. Because it's not possible. Look at the reality of this thing: The U.S. military establishment, without a war or war mobilization, costs about \$1 billion a day. If you add a war mobilization of the type that we're indicating for Iraq, for the Middle East, you're talking about another \$1 billion a day. If you go to a full-scale, protracted war, over a period of two years, with the kind of side-effects this will have, you're talking about \$3 billion a day.

What does that mean? Take 365 by two, by three! And that's your costs of the war. The United States is now in the worst depression in the memory of any living person. We can not afford to support such a war! We don't have the physical ability to maintain such a war. So we're going into a war of the type, potentially, that we can not win— in the sense of winning a war. We may destroy everything in sight, but we can't win the war— and a war in which, like Vietnam, we ultimately simply withdraw from our own exhaustion; but which may leave permanent effects on the planet, which we may suffer from.

So I don't have much confidence that it is going to succeed. The danger, to me, lies not in the fact that this war might happen; that's a great danger; but I think it's still likely that it will be jammed up. The great danger is the destruction of the ability of the United States to rule itself, as a result of the kind of decision that was made in the Congress, including the Senate, this past week.

STEINBERG: Lyn, thank you.

We have gone longer than our usual 60 minutes. That's fine, technically. People can listen to a repeat of this interview at

www.larouchepub.com. Thank you very much. I hope we have you on again very soon. If you would like to make any closing remarks—I think your last comments stand; and we have a political army out here, waiting to distribute your leaflet. So, for the next half-hour, we'll be working on that. Thank you.

LAROCHE: Okay. Well, I think— watch what happens around Dr. Eneas and Dr. Havanir Nimtz in the coming period in Brazil. That may be a harbinger of which way the world is going to go during the next immediate weeks.

U.S. ECONOMIC/FINANCIAL NEWS

U.S. Corporate Debt Defaults Grow

The combined total of U.S. corporate debt, which is classified as being either in default, or in distress, has risen nearly \$200 billion during this year, to \$879 billion. This amount is greater than the combined Gross Domestic Product of all but eight nations in the world.

All of this debt is now classified as junk-bond status, though the bonded debt of some companies did not start out that way, but, as in the cases of WorldCom or Adelphia, was only downgraded to junk-bond status shortly before, or at the point that, these companies filed for bankruptcy. Debt is considered to be in default when the issuer company stops making interest payments on the debt. Of the above-mentioned \$879-billion debt figure, \$389 billion represents defaulted debt, and the rest, debt that is "distressed." In dollar volume, the 12-month default rate, that is, the percentage of all U.S. corporate bonded debt that is in default, is 15%, the highest rate ever. Further, the defaulted bonds are trading at only 18 cents on the dollar, which is far less than the historical average of defaulted debt of 42 cents on the dollar.

Soaring Personal Debt, Based on Housing Bubble Worries Some on Wall Street

It's not only corporate debt that has Wall Street biting its nails: In an article headlined "Debt Problems Hit Even the Wealthy— Biggest Surge in Borrowing Is Among Those with Highest Incomes; Liquidating the 401(K)," the *Wall Street Journal* Oct. 9 telegraphs the worst fears of the financial establishment. It reports a fact well-known to *EIR* readers: "Household debt has ballooned to more than 100% of disposable income, ... the highest percentage on record," the *Journal* notes, with an almost audible tremor in its voice. Yet, despite "auto repossessions, personal bankruptcies and mortgage foreclosures [being] at or near [their] highest levels in decades," as long as the interest rates can be kept in check, while the housing bubble remains afloat, then, the *Journal* sighs hopefully, "the wealthiest are able to manage their higher debt loads."

Just how crucial the housing bubble is to this pyramid scheme, is indicated by Federal Reserve data showing that "debt for the top-fifth of U.S. households hit 120% of disposable income in the first quarter" of 2002. The piling on of debt by the wealthy is possible due to "increased borrowing against the value of their homes." When the housing bubble pops, this debt bubble will go poof. The debt burden for the bottom four-fifths of households rose to 80% of disposable income in the same period, the *WSJ* reports.

Port Lockout Continues To Send Ripples Throughout Economy

Both Honda and Toyota automakers have warned that future U.S. sales could be hurt by the West Coast port lockout (see *INDEPTH* article, "Port Lockout: Straw To Break Economy's Back?"), despite the reopening of the ports under a Taft-Hartley injunction, according to *Bloomberg News* Oct. 11. Honda is suspending production at two U.S. plants and one Canadian factory this week because of continuing parts shortages. Toyota reports that their U.S. car and truck sales may fall 15% this month. Among retailers, The Gap (clothing) says delays in getting merchandise into stores may lower fourth-

quarter profits as much as 7 cents a share.

Meanwhile, relations between the Pacific Maritime Association and the International Longshore and Warehouse Union continue to be tense as the ports remain log-jammed due to the 10-day management lockout. The PMA continues to seek "normal" productivity levels while the union insists these are impossible, given the conditions at the ports. ILWU national spokesman Steve Stallone was quoted in the Fremont, Calif. *Argus*, describing the chaotic and dangerous situation on the docks faced by returning longshoremen: "[T]he infrastructure is cracking already ... but of course that will become our fault."

Wall Street Braces for Deepest Job Cuts Yet

"Wall Street braces for deepest job cuts yet," the *Wall Street Journal* wrote Oct. 8, as the bear market continued its rampage on The Street. Since the end of 2000, the nation's securities firms have laid off 32,287 employees, or 8.8% of their workforce, with no end in sight. Credit Suisse First Boston's announced 1,700 job cuts Oct. 7, following JP Morgan Chase's earlier news that it is considering 4,000 layoffs, or 20% of its investment-banking department workforce.

Wall Street executives, it notes, hoped "to hold on" to employees, "betting that the bear market would lift." But now, after mergers-advisory work is down 43% to \$351 billion, from \$616 billion in 2001, global underwriting volume fell 12.6% to \$774 billion in the 3Q over last year's 3Q, and only seven public offerings were made in the 3Q just concluded— "the fewest since 1980"— writes the *Journal*, the executives are "waving the white flag— and handing out the pink slips."

Thousands More Added to Jobless Rolls

Reflecting the collapse of the manufacturing sector worldwide, the following companies announced new rounds of layoffs:

*GE Aircraft Engines, a division of GE, will cut 1,000 jobs this year, and 1,800 next, at its Evendale, Ohio plant, as a result of the drop in orders for new engines by the airlines.

*Raytheon will cut 500 workers in its Massachusetts and California plants, due to having lost a satellite contract.

*Corning Inc. says its ailing fiber-optics business will require more job cuts and may close plants in North Carolina, Germany, and Australia. It earlier announced it would idle four optical-fiber plants this fall and has already cut 4,000 jobs this year, on top of 12,000 last year.

*Lucent Technologies, the struggling telecommunications company affiliated with Bell Labs, will lay off 10,000 people between now and March, leaving the total workforce at 35,000, down from its peak of 155,000 a few years ago. The new cuts were prompted by Lucent's expectation of a \$2.2-billion loss for its fourth quarter, which ended Sept. 30— its ninth consecutive quarterly loss.

*Maytag Corp. will close its Galesburg, Ill. refrigerator-production plant, resulting in 1,600 layoffs. A company spokesman said the plant can no longer compete with its competitors, who have moved production to Mexico.

United Airlines Bankruptcy Still Threatens as Union Deal Falls Through

United Airlines, the nation's second-largest air carrier, has for two months been trying to stave off bankruptcy by winning \$9 billion in concessions from its five unions, along with other expenditure cutbacks. But on Wednesday, the International

Association of Machinists (IAM) withdrew from a union coalition, to independently negotiate its workers' concessions. United has asked for \$9 billion, but the unions counter-offered \$5 billion. The union employees own 55% of the company and hold two seats on the Board of Directors— their payoff for bailing out the company in 1994— all of which would be lost in bankruptcy.

Labor and creditor concessions are conditions for United to get a \$1.8-billion Federal government loan guarantee.

United faces a series of debt payments in the weeks ahead. On Nov. 1, it must pay \$41 million in interest payments on two bonds. In November and December it must also pay \$945 million on accrued debt.

In the last 18 months, United has racked up nearly \$3 billion in losses, and next week is expected to announce huge third-quarter losses.

The airline industry is being asked by the FAA to improve flight programs and security, a big component of which requires purchase and installation of new screening machines at \$1 million each. These expenditures are estimated to amount to \$11 billion (over the next 10 years)— yet the industry is expected to lose \$7 billion this year.

Handwriting on the Wall for JP Morgan Chase, But It's Not Alone

JP Morgan Chase is in a death spiral, and will have to find a merger quickly to avoid public catastrophe, in the estimation of *EIR* economist John Hoefle. Morgan Chase's stock fell to \$15.45 on Oct. 9, dropping its market cap to \$30.8 billion (from a peak of \$106.5 billion), The blood is in the water, and if Morgan is not already having problems finding counterparties for its derivatives deals, it soon will be, whatever Fed guarantees it might have. There have been rumors that Morgan would be merged with Citigroup, but Citi has its own problems and CEO Sandy Weill appears to be fighting for his life.

Morgan Chase, which has not yet reported its third-quarter numbers, has announced it will write off \$1.4 billion in loans for the quarter, and said overall trading revenue in July and August was \$100 million, compared with \$1.1 billion in the second quarter.

To help cut expenses, Morgan Chase will lay off about 4,000 of its 20,000 investment bankers, *Bloomberg* reported Oct. 4. With these cuts, the bank will have cut 14,000 people since the merger.

Morgan is not alone in the meltdown sweepstakes. Charles Schwab is down 82% from peak; Morgan Stanley is down 72%; Merrill Lynch is down 60%; Goldman, Sachs, 54%; Citigroup, 50%; Lehman Bros., 48%; and Bear Stearns, 45%. Merrill, which has already cut 15,000 jobs, is preparing further cuts, according to Bloomberg.

Merrill Lynch Dumps 75% of Nasdaq Holdings

In yet another sign of the doom of the "New Economy," Merrill Lynch announced it will stop trading 75% of the Nasdaq stocks it holds. With more than one-third of the Nasdaq listings now trading below \$5 per share, and dollar volumes crumbling by 35% in the first half of this year, Merrill Lynch sees no incentive to deal with these loser-stocks.

Gallows Humor Reflects Mutual Fund Disaster

"How do I get my mutual fund manager down from the tree? Cut the rope!" That's the joke making the rounds of Wall

Street these days, reflecting the damage done to the funds in the third quarter. Fewer than 1% of all mutual funds were in the black during the quarter, and the average equity (stock) fund fell 17.5%, the second-worst quarterly drop since 1987, according to the *Washington Post* Oct. 7. Even real-estate and gold funds, which tend to fare better in troubled times, lost money. Only the bear funds, which make their money by betting stocks will decline, had a good quarter. The total value of assets in equity mutual funds dropped more than 16% in the quarter, to less than \$2.2 trillion, while the value of bond funds rose 4%, according to AMG Data Services president Robert Adler. During the quarter, investors shifted an unprecedented \$51.1 billion out of equity funds, and \$43.5 billion into bond funds, Adler said.

Half of All U.S. Households Own Stock, As Markets Topple

Nearly half (49.5%) of all American households owned stock at the beginning of 2002, up from 48.5% in 1999, according to the latest "Equity Ownership in America" survey, published in September by the Investment Company Institute and Securities Industry Association. Some 52.7 million households and 84.3 million individuals owned stock, up from 49.2 million and 78.7 million, respectively, in 1999. The number of households with investments in stock mutual funds rose 12.4%, to 47.0 million from 41.8 million, during the period, with households owning stock inside employer-sponsored retirement plans rising 16.5%, to 33.2 million from 28.5 million, while those outside of employer-sponsored retirement plans rose 3.2%, to 28.8 million from 27.8 million. The number of households owning individual stocks declined 4.9%.

The majority of stock investors own equities through employee-sponsored retirement plans. Sixty-six percent of equity investors owned stock mutual funds in employer funds, and 17% owned individual stock (including employer stock), the survey said.

WALL STREET POLICE BLOTTER

*Massachusetts securities investigators say they have found the proverbial "smoking gun" in the **Credit Suisse First Boston (CSFB)** case: internal documents and e-mails which show that the investment-banking subsidiary of Credit Suisse demanded fees in exchange for positive stock ratings. "This is clearly a smoking gun in the area of criminal responsibility, especially as it pertains to Mr. Quattrone," said Massachusetts Secretary of State William Galvin, the state's top securities regulator. **Frank Quattrone** headed CSFB's Silicon Valley operation, a leader in the high-tech IPO business.

***Buford Yates**, former director of general accounting for **WorldCom**, pleaded guilty to securities fraud and conspiracy, for his role in hiding more than \$7 billion in expenses to make the telecom giant appear profitable, saying he was instructed by supervisors to make "adjustments" to the company's books. He has agreed to cooperate with investigators against his former bosses.

Yates said in Federal court in Manhattan that he knew the wrong information would be reported to the Securities and Exchange Commission.

Sentencing was set for Jan. 9. Yates, if convicted of both charges, faces up to 15 years in prison and more than \$1 million in fines.

*The U.S. Attorney's Office in New Jersey announced Oct. 9 that it has opened an investigation into whether **Bristol-Myers Squibb**, one of the nation's biggest pharmaceutical firms, improperly inflated sales figures, in a scheme involving discounts to wholesalers. The SEC opened a civil investigation of the same issues in August.

*Two more **Worldcom** executives pleaded guilty Oct. 10 to Federal charges of securities fraud and conspiracy: **Betty Vinson**, former director of management reporting; and **Troy Normand**, former director of legal entity accounting, each

pleaded guilty, in U.S. District Court in Manhattan, to the charges, admitting that they helped inflate WorldCom's earnings by concealing expenses. Vinson said that she was ordered by her supervisors to make accounting "adjustments." She and Normand are cooperating with Federal prosecutors, who are building a case against **ex-CFO Scott Sullivan** and **ex-chairman Bernard Ebbers**.

Vinson faces a maximum sentence of 15 years in prison, which may be substantially reduced for providing testimony in the case.

The Securities and Exchange Commission filed a complaint against Vinson and Normand, accusing them of violating anti-fraud reporting rules and of aiding and abetting the WorldCom fraud.

Links from InDepth Section:

Feature:

[LaRouche Friend Breaks All Records in Brazil Election Win](#)

The Brazil elections held Oct. 6 have proven to be the greatest repudiation anywhere of the insanity of globalization. Out of a possible 115 million voters, 95 million Brazilian citizens went to the polls, and only 20 million voted for the government-backed candidacy of Jose Serra... (on same link: Appendix to above article: **IMF Check-Mates Itself in Brazil**)

- [A Citizen Who Chooses To Make History](#)

Who is this man who won the largest number of votes of any Congressional candidate in Brazil's history, in a campaign on which he spent, at most, \$22,000? Dr. Ene´as Ferreira Carneiro, known simply as 'Ene´as' Sweeps Election.' throughout Brazil, is one of those rare individuals who step forward to shape history when their country needs them. **Dr. Eneas Responds: Who is LaRouche?**

Economics:

[Now German Government Must Act on the Economy](#)

Not untypically for the German political establishment, the real economic situation was not much at the center of therecent election campaign, and alarming news about the banks and the economy was suppressed.

[IMF in Denial of Italy Vote, New BrettonWoods](#)

International Monetary Fund First Deputy Managing Director Anne Krueger is the author of a plan which claims to deal, through IMF-controlled 'national bankruptcy' proceedings, with the growing number of nations with unpayable debt burdens.

[IMF Demands on Japan Spark 'Asia Crisis II'](#)

Newsweek, mouthpiece of Wall Street's Lazard Fre`res investment bank, renewed demands by the American Enterprise Institute (AEI) and its Wall Street economists last Spring, that Japan implement the same International Monetary Fund (IMF) 'shock therapy' imposed on South Korea during 1997-99.

[Back to Production, Dump Globalization](#)

Malaysia's feisty Prime Minister, Dato Seri Dr. Mahathir bin Mohamad, challenged 800 distinguished guests, speakers, and captains of industry, attending the East Asia Economic Summit 2002, Oct. 6-8, in Malaysia's new capital city Putrajaya, to abandon the 'ideology' of globalization and return to physical economics.

Port Lockout: Straw To Break Economy's Back?

Could the management-ordered shutdown of 29 West Coast ports have been the last straw for the U.S. and world economy?

Trouble Hits Elite Insurance Sector

The global economic meltdown, of which the stock market collapse is just the tip of the iceberg, is now visibly hitting the heart of the global financial system, the interlocked network of giant insurance companies, reinsurance companies, investment banks, and commercial banks which dominate the imperial 'casino mondiale.'

Unreality Shrouds Russian-American Energy Meeting

An air of unreality hung over the first-ever 'U.S.-Russia Commercial Energy Summit,' held Oct. 1-2 in Houston, Texas, because it grappled with neither the impending global showdown prompted by a U.S. war policy, nor the world economic crisis.

International:

Is Sharon Preparing A New Hebron Massacre?

Israeli security sources fear Israeli extremists are preparing a massacre of Palestinian worshippers at the mosque housing the 'Tomb of the Patriarchs' in the West Bank city of Hebron—a repeat of the Feb. 25, 1994 killing of some 30 Palestinian worshippers by a fanatical settler, Dr. Baruch Goldstein.

Launching Aggressive War Is Nuremberg Crime

The pre-emptive (some would say, preventive) war, which President Bush and warhawks in his Cabinet and the civilian leadership of the Pentagon are in the process of launching, violates fundamental principles of international law and treaties to which the United States is a party.

Italy Pays Tribute To Amelia Boynton Robinson

In Milan and Rome, she was received as a head of state—in Milan by the President of the Lombardy region, and in Rome by the Human Rights Committee of the Italian Senate.

Quiet Diplomacy on The 'Roof of the World'

Amidst many dramatic international developments, a quiet, but notable, process is going on 'at the roof of the world'—Tibet.

National:

Lieberman and Cheney March In the Footsteps of Joe McCarthy

In the United States, during the 1950s, the image of the Roy Cohn-steered drunken Sen. Joseph McCarthy, railing, on the floor of the U.S. Senate, ...was the moral equivalent of Himmler and Goering's Gestapo.

41 Questions to Bush Administration On U.S.-Iraq Relations in the 1980s

...Was it U.S. policy, as early as 1981-82, to provide military intelligence, and arms and other military equipment, to both Iran and Iraq, while those two countries were engaged in a war against each other, a war in which one million were killed?...

'Nightmare Scenario': Urban Combat in Baghdad

Saddam Hussein's threat to bring any war with the U.S. into the streets of Baghdad has competent U.S. military officers asking, 'Are we prepared for urban combat?'

Admiral Blair Rebuffs Neocons' Taiwan Policy

Admiral Dennis Blair, the former commander of the U.S. Pacific Command, said on Sept. 25 that the United States must make it clear to Taiwan

that, if it were to declare independence...the United States would not come to Taiwan's aid.

[LaRouche Helping Defeat Nevada Pot Legalization](#)

A Nevada ballot initiative heavily financed by 'Dope, Inc.' as a pioneer move to legalize marijuana nationwide, was initially thought a cinch to pass this Nov. 5. But three weeks from Election Day, Nevada political insiders and pollsters have told EIR, there's no way it's going to pass.

[Drug Legalization: Who Is Fooling Whom?](#)

Following Presidential pre-candidate Lyndon LaRouche's Sept. 11, 2002 campaign webcast (published in EIR, Sept. 20), many listeners sent in e-mail questions and comments... {T}his interchange on the policy of drug legalization, was supplied by www.larouchein2004.com.

[McCain, Lieberman, and The Bantustan Casinos](#)

A criminal apparatus reaching from Russia to Israel to Africa, to Miami and New York, has turned Sen. Joe Lieberman's Connecticut into a world capital of gambling casinos...

[A Lying Apology For Video Violence](#)

Presidential pre-candidate Lyndon H. LaRouche, Jr. wrote in a Sept. 24 article, that 'the greatest single internal danger to our republic today,... quasi-psychotic pseudo-science of video-games, were better suited to the role of the Roman-imperial style cannon-fodder of global perpetual warfare.'

WORLD ECONOMIC NEWS

Financial Insider: 'Global Banking Crisis' Is Here

We are now in a "global banking crisis" which goes far beyond that of 1998, a European financial insider told *EIR* on Oct. 9. Already in late July, worries about a global banking crisis were spreading, focussing at that time on U.S. banks like Citigroup and JP Morgan Chase. Just when central bankers and supervisors thought they had the problem under control, the global banking crisis escalated again, and is now focussed on banks in Europe, and Germany in particular. Referring to the leak by a Merrill Lynch trader on credit derivative losses at Germany's Commerzbank (see **INDEPTH** article, "Now German Government Must Act on the Economy"), the source noted that there are obviously games being played within the banking sector, where banks try to deflect from their own problems by pointing to disasters at the others. However, Commerzbank is really in a serious liquidity crisis right now. Other large European banks are in a similar crisis, as they were hit by the stock market meltdown and the dramatic rise of bad loans. The crucial thing to watch now, he said, is whether there will be some emergency actions by the European Central Bank to rescue the banking sector.

Besides Commerzbank, whose stock price has collapsed from 40 euros to 5 euros within the last two years, there are several other European banks rumored to be "in big trouble," in particular, Dresdner Bank, HypoVereinsbank, and Credit Suisse. HypoVereinsbank admitted that it is piling up massive amounts of bad loans due to domestic insolvencies. A derivatives trader at Dresdner Bank recently noted in a private discussion that, if his bank were to rigidly assess all its problem loans, it would probably have to be shut down. A Swiss bond trader working for a U.S. investment bank reports that from his insight into the monthly bond trading volumes of competing banks, it is obvious to him that Credit Suisse is a more or less bankrupt entity that is desperately trying to keep up the facade. A London-based financial insider stated that the whole group of top international banks is in terrible shape. He concluded: "The system is going down."

Credit Suisse, Commerzbank Could Trigger 'Domino Effect' Collapse

Credit Suisse and Commerzbank "have acquired pariah status," says the London *Economist* Oct. 11. "If the performance of European stock indices over the past few months seems bad, take a look at what has happened to the continent's banks...."

[T]here is even nervous talk of a 'domino effect,' " the *Economist* said in its Global Agenda column. "Two banks in particular have acquired pariah status: Credit Suisse and Commerzbank." Credit Suisse has been "bleeding money" through its Winterthur insurance subsidiary, while Commerzbank has been hit hard by the European floods, \$1.9 billion in unrealized losses in its equity portfolio, and rumors of big losses on credit derivatives. "Commerzbank's independence is in question," the *Economist* added.

Fiat Workers Protest Layoffs; Block Rail and Highways

Thousands of Italy's auto workers protested layoffs announced by Fiat, blocking railways and highways Oct. 10. Union leaders for the autoworkers held meetings with Fiat executives to discuss the restructuring plans which call for 7,000 job cuts— 20% of Fiat's workforce. After the meeting, union leaders announced that Italy's three unions would hold a nationwide, four-hour strike Oct. 11.

Fiat, Italy's number one automaker, and largest private-sector employer, has asked the Italian government for financial aid to assist in financing its restructuring plans. In the past the government has aided Fiat and other companies. But now under the strict European Union competition laws and deficit cap, the government is caught in a bind. It doesn't want the job losses, but it can't offer state aid and remain within the limits. Prime Minister Silvio Berlusconi said, "We hope to find an alternative solution, a solution that doesn't leave thousands of Italians ... without jobs." Official unemployment is at 9% nationwide, but in Sicily, where Fiat intends to close a plant, axing 1,800 jobs, unemployment stands at 20%. Faced with this dilemma, Italian Industry Minister Antonio Marzano hinted that Italy may have to revise its growth target for next year when he said, "I don't think the 2003 forecast includes the impact of the Fiat crisis."

Deutsche Telekom Announces Huge New Layoffs

The troubled Bonn-based telecom announced Oct. 8, its preliminary plans to layoff 55,000 employees, mostly in the traditional telephone business in Germany, between now and 2005. The cost-cutting measure will, it hopes, allow it to save \$978 million annually. This would be a 22% cut of Europe's biggest phone company's workforce. These cuts include the earlier announced 30,000 positions to be axed.

China Eases Exports to Russia, Eastern Europe

The China Export Credit Insurance Corporation (Sinasure) is expanding operations to help Chinese companies expand exports to Russia and Eastern Europe. In addition, on Oct. 11, the European Bank for Reconstruction and Development (EBRD) announced it would cooperate with Sinasure to promote trade between China and central and eastern Europe. The EBRD will provide analyses of Russian politics, economic systems, and markets. "We hope to stimulate China's exports to Central and Eastern Europe by providing preferential measures, such as offering low-interest loans and extended longer terms," said Rudolf Putz, a senior banker with the EBRD.

Sinasure is China's major policy insurer. It will now compensate losses incurred by Chinese firms in foreign exchange, when exporting to Russia. Sinasure official Zhu Jing'an said the measures were to help promote China's investments in and exports to Russia and Eastern Europe, and strengthen bilateral trade ties.

Trade between China and Russia has been expanding. It reached U.S.\$7.6 billion in the first eight months of 2002, and was at a record high of U.S.\$10.7 billion last year. However, China has a very big total trade deficit with Russia, at U.S.\$27.1 billion at the end of August, and still increasing rapidly. The most important Russian exports to China are high-priced military equipment.

UNITED STATES NEWS DIGEST

Congressional Resolution Gives Bush Broader Powers Than His Father Had in Desert Storm

The "Authorization for the Use of Military Force Against Iraq" resolution passed by the U.S. Congress last week provides the following features:

The Congress supports the President to "(1) strictly enforce through the United Nations Security Council all relevant Security Council resolutions applicable to Iraq ... and (2) obtain prompt and decisive action by the Security Council to ensure that Iraq abandons its strategy of delay, evasion and noncompliance and promptly and strictly complies with all relevant Security Council resolutions.

"The President is authorized to use the Armed Forces of the United States *as he determines to be necessary and appropriate* in order to—(1) defend the national security of the United States against the continuing threat posed by Iraq; and (2) enforce *all relevant United Nations Security Council resolutions regarding Iraq*".

When the President avails himself of such force, "the President shall, prior to such exercise or as soon thereafter as may be feasible, but no later than 48 hours after exercising such authority, make available to the Speaker of the House of Representatives and the President pro tempore of the Senate his determination that—(1) reliance by the United States on further diplomatic or peaceful means alone either (A) will not adequately protect the national security of the United States against the continuing threat posed by Iraq; or (B) is not likely to lead to enforcement of all relevant United Nations Security Council resolutions regarding Iraq...."

President Bush is also required to submit to Congress a report every 60 days on matters relevant to the resolution.

As the *Washington Post* noted, the elder President Bush was required to inform the Congress that diplomatic efforts had failed, whereas the younger merely has to inform Congress within 48 hours of having started the war. Also, whereas in 1991 the resolution tied military action to specific UN resolutions, this one refers to "all relevant" resolutions. And the clause on defending U.S. national security is "deliberately vague," the paper said.

George Orwell in Washington

In an Oct. 13 *New York Times* column called "Texan on the Tigris," columnist Maureen Dowd writes from Washington: "This has always been a place where people say the opposite of what they mean. But last week, the capital soared to ominous new Orwellian heights." Some of her examples:

"Senator Hillary Clinton voted to let the President use force in Iraq because she didn't want the President to use force in Iraq...."

"The Democrats were desperate to put the war behind them, so they put the war in front of them. They didn't want to seem weak, so they made the President stronger, which makes them weaker...."

"Tom Daschle, Dianne Feinstein and other doubters came around on Thursday to the view that Iraq is an urgent threat, after the CIA Director, George Tenet, sent Congress a memo on Monday saying that Iraq is not an urgent threat...."

Byrd Invoked Constitution Against Bush's War Drive

At the conclusion of the intense debate, and the vote by the U.S. Senate and Congress to give President Bush the unfettered power to launch war against Iraq, 84-year-old Sen. Robert Byrd (D-W.Va.) denounced the action as a tragic mistake.

Byrd's oratorical skills were on display on Oct. 4, when debate began in earnest in the Senate on the resolution to give President Bush authority to use military force against Iraq. In debate with John Warner (R-Va.), one of the resolution's sponsors, and Joe Lieberman (D-Conn.), and later in colloquy with Edward Kennedy (D-Mass.), Byrd made clear the Constitutional issues involved. He slammed House Minority Leader Richard Gephardt (D-Mo.), without naming him, for joining with the White House in a deal on the House Resolution.

The focus of Byrd's *tour de force* was on the dangers of putting the war-making powers delegated to Congress by the Constitution, into the hands of one man. He quoted James Madison on that point, saying, "The trust and temptation are too great for any one man." He added that the debate is not really about Iraq, but rather on "this new Bush doctrine of preemptive strikes. There is nothing in this Constitution about preemptive strikes. Yet ... we are about to vote to put the imprimatur of the Congress on that doctrine."

Byrd developed his point using the language of the resolution, which grants the President authority "to use all means that he determines to be appropriate in order to enforce the United Nations Security Council Resolutions, ... defend the national security of the United States against the threat posed by Iraq, and restore international peace and security in the region." Byrd said, "What a broad grant of naked power. To whom? One person, the President of the United States. This Constitution itself refutes it, refutes this resolution right on its face."

Byrd called it "another Gulf of Tonkin Resolution," and expressed his regret for having voted for the original 1964 Gulf of Tonkin Resolution, which vastly intensified the U.S. war in Vietnam.

In response to Byrd's demand to know "what is new" with respect to Iraq, Warner could only say that, in fact, the Bush Administration has presented very little that is new. "I am urging the Administration," he said, "to try and share more information with the Congress."

Senator Kennedy, meanwhile, rejected what he characterized as a call for "21st-century American imperialism." He spoke as follows in the Senate debate:

"...We face no more serious decision in our democracy than whether or not to go to war. The American people deserve to fully understand all of the implications of such a decision....

"On Sept. 20, the Administration unveiled its new National Security Strategy. This document addresses the new realities of our age, particularly the proliferation of weapons of mass destruction and terrorist networks armed with the agendas of fanatics. The Strategy claims that these new threats are so novel and so dangerous that we should 'not hesitate to act alone, if necessary, to exercise our right of self-defense by acting preemptively.'

"In the discussion over the past few months about Iraq, the Administration often uses the terms 'preemptive' and 'preventive' interchangeably. In the realm of international relations, these two terms have long had very different meanings.

"Traditionally, 'preemptive' action refers to times when states react to an imminent threat of attack. For example, when Egyptian and Syrian forces mobilized on Israel's borders in 1967, the threat was obvious and immediate, and Israel felt justified in preemptively attacking those forces. The global community is generally tolerant of such actions, since no nation should have to suffer a certain first strike before it has the legitimacy to respond.

"By contrast, 'preventive' military action refers to strikes that target a country before it has developed a capability that could someday become threatening. Preventive attacks have generally been condemned. For example, the 1941 sneak attack on Pearl Harbor was regarded as a preventive strike by Japan, because the Japanese were seeking to block a planned military build-up by the United States in the Pacific.

"The coldly premeditated nature of preventive attacks and preventive wars makes them anathema to well-established international principles against aggression. Pearl Harbor has been rightfully recorded in history as an act of dishonorable treachery.

"Historically, the United States has condemned the idea of preventive war, because it violates basic international rules against aggression. But at times in our history, preventive war has been seriously advocated as a policy option.

"In the early days of the Cold War, some U.S. military and civilian experts advocated a preventive war against the Soviet Union. They proposed a devastating first strike to prevent the Soviet Union from developing a threatening nuclear capability. At the time, they said the uniquely destructive power of nuclear weapons required us to rethink traditional international rules.

"The first round of that debate ended in 1950, when President Truman ruled out a preventive strike, stating that such actions were not consistent with our American tradition. He said, 'You don't "prevent" anything by war ... except peace.' Instead of a surprise first strike, the nation dedicated itself to the strategy of deterrence and containment, which successfully kept the peace during the long and frequently difficult years of the Cold War.

"Arguments for preventive war resurfaced again when the Eisenhower Administration took power in 1953, but President Eisenhower and Secretary of State John Foster Dulles soon decided firmly against it. President Eisenhower emphasized that even if we were to win such a war, we would face the vast burdens of occupation and reconstruction that would come with it.

"The argument that the United States should take preventive military action, in the absence of an imminent attack, resurfaced in 1962, when we learned that the Soviet Union would soon have the ability to launch missiles from Cuba against our country. Many military officers urged President Kennedy to approve a preventive attack to destroy this capability before it became operational. Robert Kennedy, like Harry Truman, felt that this kind of first strike was not consistent with American values. He said that a proposed surprise first strike against Cuba would be a 'Pearl Harbor in reverse.'

"For 175 years, [he said] we have not been that kind of country.

"That view prevailed. A middle ground was found and peace was preserved....

"Now, the Bush Administration says we must take preemptive action against Iraq. But what the Administration is really calling for is preventive war, which flies in the face of international rules of acceptable behavior....

"The [National Security Strategy] document openly contemplates preventive attacks against groups or states, even absent the threat of imminent attack. It legitimizes this kind of first-strike option, and it elevates it to the status of a core security doctrine. Disregarding norms of international behavior, the Bush strategy asserts that the United States should be exempt from the rules we expect other nations to obey.

"I strongly oppose any such extreme doctrine, and I'm sure that many others do as well. Earlier generations of Americans rejected preventive war on the grounds of both morality and practicality, and our generation must do so as well. We can deal with Iraq without resorting to this extreme...."

"The Administration's doctrine is a call for 21st-century American imperialism that no other nation can or should accept. It is the antithesis of all that America has worked so hard to achieve in international relations since the end of World War II...."

Also speaking strongly against war last week was Gen. Anthony Zinni, a close associate of Secretary of State Colin Powell and the President's own Middle East envoy.

Zinni said that a war on Iraq is not on his list of priorities for the Mideast; Iraq is deterrable and containable, he said, and in his view, the first priority is to achieve a Middle East peace. Second is to support the reform movement in Iran. Then comes making sure the Afghanistan campaign is successful, and finally, patching up strained relations with our allies.

Daschle Killed Byrd Filibuster of Iraq War Resolution

Senate Majority Leader Tom Daschle (D-S.D.) blocked the anti-war filibuster in the Senate. In a day of intense debates, in which a few lone voices continued the fight against George W. Bush's imperial war policy, Tom Daschle joined the McCain-Lieberman traitors by pushing through a vote that limited the debate. Daschle took this measure in order to stop the filibuster by senior Democratic Senator Robert Byrd. Daschle's blocking the filibuster passed by a vote of 75-25.

Daschle took this action, despite the fact that a week earlier, he had been excluded from the White House meeting with Congressional "leaders." Instead of Daschle, Bush brought in Connecticut Senator Joe Lieberman, and House Minority Leader Dick Gephardt (D-Mo.).

Science Magazines Buzz Over Malaria, Silent on Need for DDT Spraying

The current issue of *Science*, the official weekly of the American Association for the Advancement of Science, features more than 100 pages on mosquitoes and malaria, and the anti-malaria potential of vaccines and genetic engineering, but ignores the simple fact that if DDT spraying of houses in Africa and other malaria-infested areas were to take place now, it would kill mosquitoes and save millions of people a year from this deadly and debilitating disease. Some 300 to 500 million new cases of malaria emerge every year, and 1 to 2 million deaths. One child dies of malaria every 30 seconds.

This week's *Science* centers on a map of the genome sequence of *Anopheles gambia*, the major mosquito carrier of malaria, while this week's *Nature* (the leading British science magazine) features the genome of *Plasmodium falciparum*, the major malaria parasite.

Among the articles in *Science* is a Viewpoint by anti-malaria advocate Jeffrey Sachs—the same Harvard University boy wonder whose privatization schemes have killed off entire economies. Sachs is now working for the Earth Institute at Columbia University (as well as being a Special Adviser to UN Secretary General Kofi Annan and chairman of the WHO Commission on Macroeconomics and Health). His *Science* article, titled "A New Global Effort to Control Malaria," begins with a pious statement: "The time has come to resurrect a worldwide effort to control malaria, following decades of neglect during which the disease has resurged in many parts of sub-Saharan Africa and other endemic regions."

Sachs laments that eradication is no longer possible, then notes that global efforts from the 1940s to 1970s "virtually eliminated malaria transmission in the subtropics," but bypassed Africa, which is where 90% of malaria deaths now occur.

"Impoverished Africans were not on the geopolitical radar screen," he says. As for the guts of his proposed campaign, it rests on the promise of future development of vaccines, drug treatment, genetic engineering of mosquitoes, and so on.

The fall issue of *21st Century Science* will have a devastating answer to this propaganda campaign for leaving the mosquito alone. The cover will feature a picture of senior entomologist Dr. J. Gordon Edwards in a field of flowers, eating a spoonful of harmless DDT, under the headline "DDT: The Real Story." Edwards argues that research potential is nice, but if only a fraction of the research dollars were spent on using DDT to kill mosquitoes, it would immediately save millions of lives.

Waste, Profiteering Destroying U.S. Health-Care System

Waste and profiteering are destroying our health-care system, writes Marcia Angell, former editor-in-chief of the *New England Journal of Medicine* and a lecturer at Harvard Medical School. In an op-ed in the Oct. 13 *New York Times*, Angell shows how health care funds are diverted to overhead and profit: private insurers skim 25% off the top of premiums for administrative costs, marketing and profits; then the remainder goes through insurance brokers, lawyers, consultants, billing agencies, etc., all of which take a cut, so that as much as half the health-care dollar never reaches the doctors and hospitals—who themselves face high overhead costs in dealing with multiple insurers.

Angell advocates creation of a national, single-payer system, which would be tantamount to expanding Medicare to the entire population. She says that Medicare is by far the most efficient part of our health system, with its overhead costs being less than 3%, while it covers virtually everyone over the age of 65.

Falwell's Equation of Muhammed with Terrorism Causes Bloody Battles in Bombay

Televangelist Jerry Falwell's remarks that the Prophet Muhammed was a "terrorist," sparked riots between Hindus and Muslims in Sholapur (225 miles south of the regional capital of the Maharashtra state Bombay), India. Falwell's statements were aired on a CBS "Sixty Minutes" program on Oct. 5.

As a result of these remarks being played in India, Muslims rioted, and in the mob scene that followed, Hindus and Muslims were attacking each other with knives and stones during a general strike called by some Muslims to protest Falwell's remarks. Police trying to calm the riots fired shots, with the result that five people were killed and 47 were injured.

IBERO-AMERICAN NEWS DIGEST

New Mass Demonstrations Again Threaten Chavez Regime

More than 1 million Venezuelans marched in the Plaza Bolivar of Caracas Oct. 10, demanding that President Hugo Chavez resign and that new elections be held immediately. The march stretched at least 30 blocks, and was the fifth, and probably largest, since the April protest march whose bloody outcome led to the temporary ousting of Chavez from office. Like the others, this march was sponsored by the business federation Fedecamaras, the Venezuelan labor federation, and an umbrella group of political opposition organizations known as Democratic Coordinator.

At numerous access points to Caracas being followed by the hundreds of thousands of protesters converging on the capital, armed members of Chavez's so-called Bolivarian Circles attempted to block the marchers, burning tires, throwing rocks, and shooting and wounding a number of the protesters. They were eventually dispersed by the National Guard. One death is being reported, but no details are yet available.

Throughout the week leading up to the march, Chavez deployed thousands of troops and tanks in and around the Presidential palace, the national palace, and across the city. On the day before the march, a very nervous Chavez warned that there was a conspiracy to overthrow his government under cover of the march, but he didn't dare ban the protest. Instead, he tried, and failed, to cut off its head by sending military police to arrest a number of the opposition generals who had been prominent in the April movement that had led to his ouster, and who represent the anti-Chavez faction within the Venezuelan active and retired military forces. In each instance, neighbors and supporters of the generals surrounded the police and forced them to leave without carrying out the arrests.

Several of the march leaders said that a program for a provisional government has already been worked out. Chavez was given a deadline within 10 days to come up with an "institutional solution" to the crisis, or face bigger and more frequent protests in the period ahead.

Record Number of Argentines Lose Jobs This Year

A record number of Argentines, 470,000, lost their jobs in the first nine months of this year. Analyst Bruno Matarazzo told *Clarín* Oct. 8, "For now, there are more jobs being destroyed than created. Sectors that continue to fire workers are financial (banks, insurance companies), construction, and auto. Those hiring people are linked to exports, or are exploring the possibility of selling abroad, or substitute imports." In September, 56,300 jobs were lost, an increase of 121% over August.

Nearly Half of Argentine Economy Now 'Informal'

Almost 50% of Argentina's economy is now "informal," according to a private think tank. In 1998, it was estimated that 30% of Argentina's economy was informal, but with the deepening of the financial crisis over the past four years, that figure is now close to 50%, according to Juan Luis Bour of FIEL. It's worth noting that FIEL is a Mont Pelerin think tank which advocates privatization of the state, and repressive measures against tax evaders. Whatever its purpose in publishing the study, the reality described is accurate.

For example, 40% of the workforce works "off the books"— employers don't pay payroll taxes, benefits, pensions, etc., and workers are paid in cash. The imposition of the bank-deposit freeze last December exacerbated this trend. If employers have cash to pay wages, it's also because they are making money without declaring it, and therefore not paying taxes. In the last few years, as real jobs have disappeared, "informal" employment has risen astronomically, seen in the barter markets, or now, in the institutionalized "*cartoneros*," who dig through garbage each day, looking for items to sell for cash.

A significant percentage of financial transactions takes place outside the formal banking system— in fact, the banking system barely exists. The quantity of funds held by individuals or companies in checking or savings accounts has fallen to 1980 levels, and credit and debit-card transactions are also dropping. People have cash under their mattresses, or in the form of stocks, bonds, or accounts held abroad, to the tune of \$100 billion, according to FIEL. The 7.7 billion pesos in "quasi-money" circulating nationally— provincial bonds, etc.— which is **half** of national monetary circulation, **does not** go through the banks. They are used to purchase goods and pay bills **outside** of the banking system.

With the dramatic contraction of the real physical economy, tax revenues have skidded— those in the informal economy don't pay taxes. A slight increase in tax revenues through July is explained only by the imposition of higher export taxes, as exports overall are dropping.

Reality Hits Some Sectors at Mexican Central Bank

Reality seems to have struck some sectors at the Mexican Central Bank (Banco de Mexico), as seen in its just-released "Monetary Policy Report" on the functioning of the economy for the first half of 2002. The report, covered in *El Economista* of Mexico City Oct. 1, notes, among other things, that "the risks to which the basic economy is subject for the remainder of 2002 and in 2003, are substantially greater than those envisioned for other quarters ... primarily due to the great uncertainty which currently exists with regard to the evolution of the world economy and the volatility of the financial markets." The report was apparently presented to the recent IMF/World Bank annual meeting.

Moreover, "The U.S. economy hasn't recovered in the second half of the year, [contrary] to what was anticipated." Noting that economic growth and inflation targets have not been met— inflation is out of control— the Banco de Mexico warns of a possible change in the dollar exchange rate with regard to the euro, as well as an "additional contraction of capital flows to emerging markets."

On Sept. 20, Mexican media reported on a flurry of early morning meetings at the Central Bank, attended by President Vicente Fox, his economics team, and Banco de Mexico Governor Guillermo Ortiz and his staff. Nothing was said about the content of the discussions, but later that day, Fox met with leaders of the Mexican Businessmen's Council, the Monterrey Group, and business associations Canacintra and Coparmex.

Old Financial Architecture Crumbling, Worries Banco de Mexico Governor

The old financial architecture is crumbling, worries Banco de Mexico Governor Guillermo Ortiz, and, he claims, its replacement isn't ready yet. Ortiz told the London *Financial Times* Oct. 1 that "the current situation in international financial markets is particularly dangerous because important pieces of the old [financial] architecture have been weakened, and the new elements are barely in the design phase." (Clearly, Ortiz is not paying close attention to developments, such as the Italian Parliament's adoption of a resolution calling for a new financial architecture based on Lyndon LaRouche's proposal for a New Bretton Woods conference.) Ortiz calls for increasing IMF resources, "and the quantity that can be loaned to any country, proportional to its size." He argued that the IMF should also make a larger initial disbursement of funds to a country in crisis, "given that the need for advance funds in a crisis of capital accounts is normally greater than in a current account [crisis]."

Also worried is the Private Sector Economic Studies Center, which warns of the "semi-stagnation" of Mexico's economy, noting that exports dropped by 7.7% in May and June, while industrial production dropped 1.7% for the same period.

'Mexico Is Not Latin America!' Insists Monterrey Group Mouthpiece

"Mexico is not Latin America! Mexico is North America! End of discussion. We have nothing to do with Latin America!" This hysterical outburst came from Lorenzo Zambrano, one of the leaders of Mexico's Monterrey Group and a nationally influential businessman, according to *El Norte-Reforma* Oct. 2. Zambrano went berserk in response to a question from a reporter, asking what he thought about the decline in foreign investment to Ibero-America and Mexico. Zambrano is pinning his hopes on the privatization of Mexico's electricity sector, which he says will provide the infrastructure Mexico needs to be more competitive globally, and "to take advantage of our geographical position and trade relationship with the United States." If privatization reforms are implemented, Zambrano states, Mexico can cease to be a **maquiladora** economy, and become instead "a nation of sophisticated logistics and infrastructure."

Also in Zambrano's camp is Finance Minister Francisco Gil Diaz, who insists that Mexico is on course, in terms of growth and inflation, "despite the deterioration of the international situation." Eduardo Sojo, public-policy adviser to President

Vicente Fox, adds that the government is "confident and calm" with regard to international "turbulence." Crises in Argentina and Brazil are merely "conjunctural turbulences and won't discourage investment."

WESTERN EUROPEAN NEWS DIGEST

Italian New Bretton Woods Resolution Shakes up Economic Debate

The recent passage by the Italian Chamber of Deputies of a resolution based on Lyndon LaRouche's call for a New Bretton Woods has opened a new phase in the fight to save the global economy. The motion, which mandates that the Italian government promote a "new financial architecture" to deal with the international speculative financial bubble, marks the first time that the Parliament of a G-7 nation has openly challenged the dying IMF-based international monetary system.

IMF Deputy Manager Anne Krueger flipped out Oct. 7, when she was asked about the measures called for by the Italian Parliament. She immediately denied that there is any such thing as a global financial crisis, or even a debt crisis in the United States, while adamantly attacking the idea of returning to a fixed-exchange-rate system. Upon being handed a copy of the resolution itself, she declared: "They are living in a world I don't know," she said of the 399 Italian lawmakers who voted for the resolution.

In the resolution, the New Bretton Woods proposal is coupled with the call for aid and economic cooperation with Argentina, a country with which Italy has close cultural and financial ties. The Italian banking system was hard hit by the crisis in Argentina, with the small investors taking the biggest hit; it has been reported that at least 300,000 Italian families lost money when the Argentinian financial system collapsed, mostly through participation in mutual funds with investments in Ibero-America.

This focus on the crises in South America can be used to provoke a serious international debate over changing the system. After the approval of the resolution, Italian Deputy Foreign Minister Mario Baccini expressed the government's satisfaction with the outcome, and promised that "the commitment to solve the crisis in Argentina and other South American countries will be of central importance during Italy's semester of chairmanship of the European Union," which begins in January 2003.

Interestingly, the London-based Arabic daily *Al-Arab International* on Oct. 4 published an article by Hussein Askary on the Italian resolution. The article focussed on the debate before the vote, and on the role of the LaRouche movement in Italy, referring to the original New Bretton Woods initiative launched by LaRouche and his collaborators.

French Warn of Dangers of Unilateral Action Against Iraq

French deputies of all parties are warning of the dangers of unilateral action against Ira. In a national debate in the National Assembly, "all the French deputies expressed more or less mistrust vis-à-vis the United States, and approved the position adopted by France to oppose 'a forced march towards war,'" reported *Le Figaro*. Prime Minister Jean Pierre Raffarin, generally a congenial figure, ready to compromise, astonished many when he denounced the "simple vision" of the United States in this affair. "The spiral of violence is not inevitable," he stated. "The recourse to force must come only as the last option.... There is no clean or easy war," and the Security Council and the UN should determine "the measures to be taken in case the Iraqis do not comply, without excluding any option."

Former Prime Minister Alain Juppe stated that "unilateralism is reprehensible, both for reasons having to do with juridical questions, as well as with political efficiency.... Only the UN and its Security Council can legitimately and even legally decide on questions of war and peace." Former Prime Minister Edouard Balladur also insisted on the "need to defend

international legality." Guy Tessier, the president of the Parliamentary commission on national defense, stated that it was crucial to "avoid provoking [in the Arab and Muslim world] a sentiment of humiliation which would be a factor of destabilization with incalculable effects."

Right-wing nationalist Philippe de Villiers declared that "it is in the interest of France to take into consideration the shock that such policies will provoke in the Islamic world." Francois Bayrou, the president of Giscard d'Estaing's former party, the UDF, rejected "the scenario of world dominated by an American empire."

The attacks from the left were sharper. PCF Secretary General Marie George Buffet declared "no to war" and the president of the Socialist group, Jean Marc Ayrault, demanded the government veto the project of an American and British resolution to the Security Council.

Meanwhile, at the UN itself, support for the French proposal for two Security Council resolutions, with no military threats included, remains strong, particularly among the Russians and Chinese.

Other contentious issues are still unresolved: authorizing UN security forces or Council members to enforce no-fly and no-drive zones; giving permanent five members the right to send representatives along with the inspectors; and taking Iraqi scientists out of the country for questioning.

Interesting Consular Response to LaRouche Movement Day of Action

Following the "Day of Action" held in France by the LaRouche forces, denouncing the war against Iraq, the U.S. Consul in Lyons, who had asked to receive copies of the leaflets being distributed, wrote back an interesting letter in which he said, "I thank you for having sent me a copy of your leaflet. All honest and human research in favor of peace is welcome. Even if the events follow a different course, the quality of this intervention can only influence them in a positive way. Very cordially, etc."

Church of England Bishops' Thesis Against Iraq War

Bishops of the Church of England have written a 27-page thesis, with arguments against a new Iraq war and against the American "preemptive" war doctrine.

The 50 leading Bishops argue that the justifications being presented for a war with Iraq, do not meet the criteria for "just war" as enunciated by St. Augustine and St. Thomas Aquinas. They claim that a war would only be justified if it were sanctioned by the United Nations and followed serious efforts at diplomacy, so a justifiable decision to go to war, as one of the Bishops put it, is "a long way down the line."

The document further asserts that the challenge to the world, is that the U.S. is acting more like a "hyperpower" than a "superpower," and is striving to bring about "American hegemony" in the world.

The 27-page thesis was written for a House of Commons committee that is investigating the "war on terror." It was put together during a two-day meeting of the Bishops in London.

Thousands of Italian Auto Workers Protest Fiat Layoffs

Thousands of Italy's auto workers protested the layoffs announced by Fiat, by blocking railways and highways on Oct. 10,

according to the *Wall Street Journal* and *BBC*. Union leaders for the autoworkers held meetings with Fiat executives to discuss the restructuring plans, which call for 7,000 job cuts—20% of Fiat's workforce. After the meeting, union leaders announced that Italy's three unions would hold a nationwide, four-hour strike on Oct. 11.

Fiat has asked the Italian government for financial aid to assist in financing its restructure plans. In the past the government has aided Fiat and other companies, but now, under the strict European Union competition laws and deficit cap, the government is caught in a bind. It doesn't want the job losses, but it can't offer state aid and remain within the limits dictated by the Maastricht Treaty.

Prime Minister Silvio Berlusconi said, "We hope to find an alternative solution, a solution that doesn't leave thousands of Italians ... without jobs." Official unemployment is at 9% nationwide, but in Sicily, where Fiat intends to close a plant, axing 1,800 jobs, unemployment stands at a staggering 20%. Faced with this dilemma, Italian Industry Minister Antonio Marzano hinted that Italy may have to revise its growth target for next year; "I don't think the 2003 forecast includes the impact of the Fiat crisis..."

German Weekly Cites Schiller in Urging Youth To Read More

The German weekly *Die Zeit* in its Oct. 10 issue referred to the great poet and playwright Friedrich Schiller, and his lecture on Universal History, in calling on youth to read more. *Die Zeit* polemicized against a trend that has banned music, literature, arts, history, and Classical languages from the school curricula, in favor of courses more closely related to making people efficient for the economic system.

The article continued: "In his famous May 26, 1789 Jena speech *What is Universal History, and to what end do we study it?*, Friedrich Schiller shows how all of us stand on the shoulders of our ancestors. 'Even in the basest doings of our bourgeois life, we cannot avoid becoming the debtors of past centuries' ... Only from history will you learn to set a value on the goods from which habit and unchallenged possession so easily dispense with our gratitude; priceless, precious goods, upon which the blood of the best and the most noble clings, goods which had to be won by the hard work of so many generations! And who among you, in whom a bright spirit is conjoined with a feeling heart, could bear this high obligation in mind, without a silent wish being aroused in him to pay that debt to coming generations which can no longer be discharged to those past? A noble desire must glow in us to also make a contribution out of our means to this rich bequest of truth, morality, and freedom which we received from the world past, and which we must surrender once more, richly enlarged, to the world to come, and, in this eternal chain which winds itself through all human generations, to make firm our ephemeral existence."

The article also emphasized the importance, for example, of reading Homer's *Iliad* and *Odyssey*, as beginning with the call on the Muse to tell the history and fate of Troy. *Die Zeit* lists 50 crucial German works of literature that the youth should absolutely read, among them Lessing's *Nathan the Wise* and Schiller's *Cabal and Love*.

Has *Die Zeit* been inspired by the ongoing campaign of the LaRouche movement for a return to a humanist education, and especially, for the younger generation?

Terrorism Against European Targets

French officials said Oct. 11 that there is now evidence that the explosion on the oil tanker *Limburg*, off the coast of Yemen, was an act of terrorism. They say they found fragments of a small boat that could not have come from the tanker, and traces of TNT. The photo accompanying the report printed in the *New York Times* Oct. 12 also shows metal bent inwards around the hole, suggesting that the explosion came from outside the hull, rather than inside. Yemen's Minister of

Transport and Maritime Affairs, however, said that the boat fragments could have come from the tanker's own rescue boat and will be tested to determine if that is the case.

Meanwhile, a bomb exploded in a shopping mall in Finland Oct. 11, killing seven and injuring more than 80 people. Finnish police are indicating that one of the dead may be the bomber. Finnish Prime Minister Paavo Lipponen called the bombing "an act of terror."

The explosion, in the city of Vantaa, a few miles north of Helsinki, shocked a country where violence is rare, and terrorism almost unheard of. The government is not attributing the bombing to a foreign terrorist group, but is saying that a "deranged" individual or criminal group was responsible. Police and emergency medical officials all described the bomb as having been built to cause maximum damage and injuries. One official said, "It looks like a shrapnel bomb, an explosion that was intended to hurt as many people as possible."

Russia and Central Asia News Digest

Leading Russian Banker: Follow Italian Parliament's Example

Victor Gerashchenko, formerly chairman of the Central Bank of Russia, has welcomed the Italian Parliament's resolution No. 6-00030—the Sept. 25 decision that recognizes "a crisis of the whole financial system" and the need for "a new financial architecture capable of supporting the real economy"—as a "very favorable" policy statement, which the Russian State Duma ought to take up as well.

Gerashchenko, who still heads the National Banking Council attached to the Central Bank, was addressing a conference on "The State of the Global Financial System and Tactics for Corporate Development," held Oct. 9-10 at the Financial Academy of the Government of the Russian Federation.

Speaking immediately before Gerashchenko was Lyndon LaRouche's associate Dr. Jonathan Tennenbaum, who also provided conference participants with a written Russian translation of the Italian resolution. Citing Tennenbaum's presentation, Gerashchenko said that it was now obvious that a major financial crisis was under way. The senior Russian banking expert then drew attention to the text of the Italian resolution, saying that it was "a very favorable development" and that "our Parliament should take this up." Gerashchenko moved from that point in his speech, directly to the idea that a high rate of investment is not sufficient to achieve economic growth; there must also be a tool to mobilize capital.

Gerashchenko also welcomed the electoral victory of "anti-globalists" in "the great country of Brazil." He said that globalization has certain "objective" aspects, but these do not eliminate the need for effective policies: ways to increase the purchasing power of the population, and "interesting projects" to move the economy ahead. In postwar Europe, for example, there was the Marshall Plan. Russia today should be refurbishing the rail network across Siberia, and building modern highways and other infrastructure. Some people argue that there is not enough money for such projects, Gerashchenko said, but speakers at this conference have just reported on the vaporization of \$19 trillion in the current stock market collapse.

Gen. Ivashov Warns of Ill-Prepared U.S. Military Adventures in Iraq

At a Moscow press conference on Oct. 11, Gen. Col. Leonid Ivashov, former head of the international affairs section of the Russian Ministry of Defense and now vice-president of the Academy of Geopolitical Problems, said the morale of the Iraqi armed forces and population should not be underestimated by the Americans. As reported by *RIA Novosti*, Ivashov pointed out that though the U.S. and the United Kingdom are technologically superior to the armed forces of Iraq, the examples of

their wars in the Balkans and in Afghanistan have documented that their highly sophisticated smart weapons are not that accurate, after all. Furthermore, neither the Americans nor the British has sufficient amounts of weaponry and ammunition to sustain a longer war, nor the financial resources required for that.

Moreover, Ivashov added, in spite of Congressional approval of a war-authorizing resolution, "American society is not ready yet to realize possible numerous deaths," in an Iraq war, and is, therefore, not as bellicose as officials in Washington are.

Condi Rice Agrees with Bertrand Russell: U.S. Should Have Launched Preemptive Attack on U.S.S.R. in 1948

Showing her kinship with H.G. Wells disciple Madeleine Albright— whose father Josef Korbel was Rice's own mentor— U.S. National Security Adviser Condoleezza Rice has concurred with the idea that the U.S. (and presumably Britain) should have attacked the Soviet Union shortly after World War II ended.

In a *Time* magazine article titled "Fighting Across the Aisle," datelined Sept. 30 and posted on the *Time* website, Karen Tumulty reported:

"The Bush team was also busy making its case [for an attack on Iraq] in private, because it is only behind closed doors that lawmakers and Bush aides feel it is safe to debate the implications of waging war against a country that has not first attacked the U.S. or its interests. As Rice briefed a group of House members last week, a Democrat challenged her argument for a preemptive strike. By that reasoning, he said, we should have invaded the Soviet Union in 1948 to keep them from getting nuclear weapons. 'In light of 50 years of bondage of Eastern Europe,' Rice replied, 'that was probably a reasonable thing to do.'"

On Oct. 4, *RIA Novosti* reported a statement by Boris Malakhov, the Russian Foreign Ministry's deputy official spokesman, who said that Moscow "had paid attention to a scandalous article" spread by some Russian media, with reference to *Time* magazine. Malakhov said that the Russian Foreign Ministry "did not make any hasty conclusions, but in the spirit of the new Russian-American relations of cooperation, requested Washington's explanations." The Bush Administration denied that Rice had said anything like what was reported, Malakhov stated.

Russian Machine-Building Association Established

Ivan Silayev, former Prime Minister of the Russian Federation, has been elected chairman of Russia's Machinebuilding Association, Moscow *Vedomosti* reported on Sept. 26. The new organization was co-founded by 11 machinebuilding corporations, including United Machinebuilding Plants (OMZ), headed by Kakha Bendukidze, Alexei Mordashov's Severstal, Alexandr Nesis's IST and Boris Kuzyk's New Programs and Concepts (NPK), Energomash Corporation, Tekhnokomplex, Kaskol Group, Sterlitamak-MTE 7 (Bashkiria), Novoye Sodruzhestvo (Rostov) and others.

NPK's Boris Kuzyk told *Vedomosti* that the new association will complement the activity of Alexander Volsky's Union of Industrialists and Entrepreneurs (RSPP). "While RSPP is focussed on the conditions of business activity, such as tax policy, terms of WTO membership, etc., our Association will be concentrated on industrial policy, which does not exist today, although a lot of conceptions have been discussed," said Kuzyk. Severstalmash's general director Alexei Yevgeniyev added that the Association will advocate tax breaks for companies undertaking technological modernization, and promote the export of manufactured industrial goods. OMZ's PR Director Andrey Onufriyev expressed the view that in the framework of the Association, companies will be better able to finance scientific research and establish integrated standards of quality in machinebuilding.

The Machinebuilding Association's charter members include a number of companies involved in mining, but also transportation. Kaskol Group is IST's partner in mining gold, silver and rare metals in the Far East, while NPK's assets include a number of shipping companies.

Russian Government Discusses Promotion of Exports

Prime Minister Kasyanov and the cabinet of the Russian government held a wide-ranging debate on measures to promote exports from the manufacturing sector of industry, at its Sept. 27 cabinet meeting. They took up the question of promoting exports that *decrease* Russia's heavy reliance on fuel products exports (which provided 60% of the economic surplus in the first eight months of 2002,) reported *Izvestia* in a Sept. 27 article headlined "The Government Changes Economic Orientation."

A report was given by Maxim Medvedkov, Deputy Minister of Economic Development and Trade, who proposed to "mobilize political measures, assistance and voluntary promotion of exports." Following a lively discussion of the rules for repatriation of export revenues, Medvedkov noted that a federal program of export incentives, adopted in 1996, earmarked 27 billion rubles for such incentives, but these have never been allocated in the budgets. He demanded urgent establishment of "a functioning system of insuring export loans under government." Given how tight next year's budget will be, he proposed to concentrate on support for non-fuel export-oriented industries.

Medvedkov also proposed funding a state-run insurance agency for export deals. When PM Kasyanov inquired where the money would come from for such an enterprise, Medvedkov proposed restoration of the budget line for export incentives and establishment of a government export-import bank on the base of Roseximbank, which has nominally existed since 1996. Such a bank would coordinate the federal and regional export-promoting programs, issue guarantees for foreign loans on behalf of the Government, issue loans to foreign governments and companies, etc.

In addition, an insurance agency would be established on the base of the existing company, Roseximgarant. This "governmental agency for insuring political and commercial risks" is supposed to accumulate 85 million rubles from the budget for insuring risks, and 50 million for creating the initial capital. Finance Minister Alexei Kudrin added that in this case, Roseximbank should be nationalized. Medvedkov's boss, Minister of Economic Development and Trade German Gref, proposed to convey part of the stock of Roseximbank to Vneshtorgbank (the Foreign Trade Bank), and later make it completely state-owned.

Izvestia emphasized that the policy of promoting exports, approved by the government, is supposed to stimulate industrial production (especially of equipment and software) and reduce the share of fuel products in exports. If this task is not accomplished, Kasyanov said, Russia will face an economic and financial crisis of new dimensions. "The government also promises to behave more actively in protecting the interests of domestic producers outside Russia, in order to avoid anti-dumping procedures."

Explosions, Assassination in Dagestan

While Chechen guerrillas engaged Russian forces in the neighboring republic of Ingushetia, in late September, there were also new incidents in another Russian North Caucasus republic— Dagestan. The invasion of Dagestan in 1999 by Chechen field commanders was part of the escalation into the ongoing Second Chechnya War.

On Sept. 27, according to *Kommersant*, unidentified persons assassinated Col. Akhberdilav Akilov, head of the Antiterrorist Directorate of Dagestan's Internal Affairs Ministry, in broad daylight near the center of Makhachkala, capital of Dagestan. The gunmen jumped out of a white Zhiguli car, which drove up to Akilov's Volga car at a major intersection.

They killed Akilov, his brother, and his driver. Dagestani police blamed the paramilitary group of Rapani Khalilov, while coverage in Moscow *Kommersant* played up eyewitnesses' statements that the gunmen moved like security professionals.

Two days earlier, a warehouse blew up at Dagvzryvprom, a factory producing industrial explosives, on the outskirts of Makhachkala. On Sept. 28, another explosion destroyed a stretch of a gas pipeline connecting Mozdok and Qazimagomed.

Political Tension High in Ukraine, as U.S. Puts Pressure on Radars Issue

Ukrainian President Leonid Kuchma agreed Oct. 2 under U.S. pressure, delivered by Assistant U.S. Secretary of State Beth Jones during a visit to Kiev, to allow U.S. investigators to come investigate alleged sales of the Kolchuga radar system by Ukraine to Iraq. State Department spokesman Philip Reeker said the U.S. welcomed "Ukraine's offer to make available all information on sales or transfers of the Kolchuga system and grant experts access to all Kolchuga sites and the manufacturing plant, as a sign of transparency."

Ukrainian Prosecutor-General Svyatoslav Piskun, however, demanded the U.S. hand over the audio recordings, originating with defector Mykola Melnychenko, on which the accusations are based. "We are ready to invite any expert to check [the Kolchuga allegations]," said Piskun, "but do not treat us like fools— give us the original [tapes]. They are offering us only edited versions." Piskun said he doubted Melnychenko's assertion that he secretly taped Kuchma, using a tape recorder placed under a sofa. An anonymous "leading government official" of Ukraine told *RFE/RL's Ukrainian Service* that Russia, not Ukraine, should be blamed for selling Iraq the Kolchuga radar systems to Iraq.

The furor around the Kolchugas intersects an intensifying political showdown in Ukraine. On Sept. 26, the parliamentary caucuses of the Communist Party, the Socialist Party, the Yuliya Tymoshenko Bloc, and Our Ukraine appealed to the United Nations, the OSCE, the Council of Europe, and the governments of the United States and Canada not to impose economic sanctions on Ukraine for the Kolchuga sales (the U.S. has already suspended \$54 million in direct aid to the Ukrainian government and is reviewing all Ukraine programs), but "to draw a clear dividing line between the people of Ukraine and criminal actions by [Ukrainian] officials."

Also on Sept. 26, parliamentarians of those same four caucuses announced a boycott of voting in the Supreme Rada, unless the current political situation is put on the agenda. On Sept. 28, Kuchma went on national television to accuse the opposition of seeking a violent change of power. "It is one thing to express one's dissatisfaction," he said, "but another thing to [try to] force a violent change of the power and social system.... I refuse categorically to resign ... because I was elected by the people as the head of state and I feel fully responsible for all that happens in the country."

On Oct. 2, Our Ukraine leader Viktor Yushchenko said he was ready to take "radical" steps, unless the regime began a dialogue on overcoming the political crisis: "If our initiatives continue to be deflected, we will do everything possible—including the organization of and participation in actions of a radical character—to make the Ukrainian authorities sit down at a negotiating table or hold early elections in the country." Yuliya Tymoshenko, Oleksandr Moroz (SP), and Petro Symonenko (CP) called Oct. 1 for a nationwide protest on Oct. 12 to demand Kuchma's ouster and said they would set up "people's tribunals" to judge the President. The three, plus Yushchenko, also wrote to Russian President Putin to ask him to meet them during his visit to Ukraine the weekend of Oct. 11-13.

MIDEAST NEWS DIGEST

LaRouche: Iraq War Could Be 'Jammed Up' by European Opposition

On Oct. 12, in an interview with The LaRouche Show, a weekly Internet webcast on the *EIR* website, Lyndon LaRouche

gave the following assessment (see this week's FLASH! for the full transcript):

"Now, on the question of the United Nations' role. My best estimate at this time, is that the Europeans will tend to stand firm, despite tremendous pressure from the United States ... the Russians are against this. They've firmly rejected Bush's pressure on this thing in the most recent developments....

"But the danger, of course, is that these people may go ahead with the war now, even though it won't work, it will be a disaster. But the people behind this don't care. They don't care if it's a disaster! That's why we talk about the craziness, about these so-called Christian Zionists being crazy.... They want the war. These are people who would rather die, and have everybody else die, than not have the war they desire to have happen. The danger of going ahead with the war, is that all civilization could go into the bucket....

"So if Europe holds firm; and if Blair backs down, as he might if Europe refuses to along with him; I think the thing is jammed up; and jammed up at least until after the election, and probably until February."

Is an Evangelical Fanatic Brainwashing Bush?

An Oct. 11 article in the *Washington Post*, called "For Bush's Speechwriter, Job Grows Beyond Words," by Mike Allen, makes clear that there has to be a "separation of the Church and mental state" of President George W. Bush. Allen reveals that Bush's leading speechwriter, Michael J. Gerson, who wrote the last two Iraq speeches, is an Evangelical Episcopalian zealot, with a degree in theology from the Darbyite Wheaton College in Illinois, who is seeding Bush's speeches with Biblical references designed to appeal to the Armageddon army that is supporting the racist ethnic-cleansing operations of Ariel Sharon, and pushing for a "Clash of Civilizations" war with Iraq.

According to a Washington-based contact, with wide knowledge of the Christian Zionists and Darbyites, the deployment of Gerson is extremely dangerous; allowing an insider in the Christian Zionist camp— where terrorism against Palestinians and Islamic holy sites is openly supported— this is extremely dangerous. The Darbyites use Biblical encoded phrases with "secret meanings" for each other.

The *Washington Post* exposé provides extremely important insight into how the President is mentally being worked over by the Evangelicals, through Gerson, with "end times constructs" being put into Bush's thinking and speeches, at the same time that intelligence on foreign policy is in the hands of the "X Committee" Chickenhawks working for the Likud/Anglo-American agenda.

For example, the following is how the *Washington Post* describes the power of this Elmer Gantry operative: "Scholars are calling Gerson the most influential presidential speechwriter since [Ted] Sorenson, confidant and muse of President John F. Kennedy ... 'Mike has become the arbiter of what Bush would want,' said a person who sat in ... with him. 'When he says 'It's not going to happen,' there's nobody in the room' " who's going to say anything different."

Gerson had his security clearance raised the day after Sept. 11, and has grown in power ever since, especially after longtime Bush adviser Karen P. Hughes left the White House under suspicious circumstances.

"The hallmark of Gerson's speeches is the invocation of the vocabulary ... of faith," says the *Washington Post*, about which Gerson, whom George W. calls "The Scribe," likes to boast. "The result is a President whose public words are laced with Biblical undertones."

For example, noted *EIR's* source, the Cincinnati speech had to be understood for such references. Indeed, Bush spoke in

lingo frighteningly standard to the Christian Zionist war-mongers. In that speech, he emphasized that Saddam Hussein had built up "nuclear holy warriors," whose job it was to rain down nuclear weapons or otherwise deliver them "against Israel." It is the kind of "prophecy" scenario that is often pitched by Jerry Falwell, and others. The *Post* also notes that Gerson put in Bush's Sept. 11, 2001 address to the nation, a reference to "God's signs."

The *Post* also describes that Gerson sits in on the National Security Council's and Situation Room's highly classified meetings to get the "flavor" of the subject, especially the Iraq war. Gerson translates those briefings into speeches that contain the "end times" references of prophecy as practiced by these war-crazy religious fanatics. This creates a highly unstable, and dangerous security situation in Washington.

Putin Rebuffs Tony Blair's War Mission

As it seems from British and Russian media reports on British Prime Minister Tony Blair's talks with Russian President Vladimir Putin, an economic deal with Russia in exchange for Putin's "yes" to the war, did not work. Putin told reporters that he viewed his talks with Blair as "serious political talks ... this is not an Oriental bazaar."

Putin discarded the value of Blair's own "dossier on Iraq," telling reporters, "Russia does not have in its possession any trustworthy data which would support the existence of nuclear weapons or any weapons of mass destruction in Iraq, and we have not received from our partners such information as yet." The only way to find out about Iraq's potential, was to get the inspectors to begin their work there, Putin added, prompting Blair to hastily make similar noises, that inspections were "one certain way to find out."

The London *Independent* raises doubt that there was any serious discussion between Blair and Putin: "They walked the walk, but did they talk the talk?"

French, Russia, China for a Strong Two-Tier Resolution on Iraq

Support for the French proposal for two separate UN resolutions, without military threats until a later date, remains strong. After a two-hour meeting of the permanent five members of the Security Council on Oct. 8, *Associated Press* reported that Russian Deputy Foreign Minister Yuri Fedotov said any resolution must *not* provide for the automatic use of force, nor contain measures that Baghdad could not accept. Chinese PM Zhu Rongji has expressed continuing support for the French proposal. *AP* also reports that the ten non-permanent members of the Security Council haven't even been shown a draft of the "British-U.S. resolution" for military force, and have only learned of its contents from leaks to the press.

Jordan: No Basing for Iraq Attack; Warns of Israel's Plan To Drive Out Palestinians

Jordanian Foreign Minister Marwan Moasher voiced concern on Oct. 10, that Israel could exploit a U.S. war on Iraq to deport Palestinians to Jordan, which also fears an influx of Iraqi refugees. "We do not want to see a situation where the Israeli government might make use of a war on Iraq in order to transfer Palestinians to Jordan," Moasher told foreign media representatives in Amman. "While the Israelis have privately assured us this is contrary to their policies, we have not yet seen one public statement by any Israeli official stating that the transfer policy is contrary to Israeli policies," he said. "We are not reassured by that at all."

Moasher said Jordan has adopted contingency plans to prevent an influx of Iraqi refugees in the event of a U.S.-led military strike on its large eastern neighbor, as well as plans to block the arrival of Palestinian deportees. The measures Jordan has taken on its borders with Iraq and the West Bank are aimed at allowing in only "those with legitimate reasons" such as people in transit or those coming to Amman for medical reasons, he said. "We have made it clear that we are not in

a position to receive any large number of refugees" from Iraq, Moasher said. "This will be detrimental to the interests of Jordan," he said, recalling that the kingdom was swamped by 1.5 million people who transited through Jordan during the 1990-1991 Gulf crisis and war. "This time the preparations that we have undertaken will make sure that these refugees, if we are faced with a large refugee problem, are catered to but not in a way that would also have them get inside Jordan," he said.

Moasher reiterated that Jordan will not be used as a launchpad for any U.S. military strike on Baghdad and that the tiny kingdom could not afford conflicts on both its eastern and western borders. "Jordan is in a very delicate and difficult position. We are walking an extremely tight rope," he said. "We already have a war going on in the West Bank and we don't need another war going on to our east. It is easy for outsiders to try to solve the problem from the outside. They are not living here.

"We're living in the midst of Iraq and the Palestinian conflict, and our ability to handle two wars for a country like Jordan is extremely limited."

Moasher, who was Jordan's former Ambassador to Washington, stressed Amman does not want to jeopardize its ties with either the U.S. or Iraq, two key economic partners. He stressed that Washington was "well aware of our vulnerability and well aware of our delicate position, and therefore is not asking to do anything beyond our capability."

New York Times Reveals Another U.S. Plan To Occupy Iraq

Anyone who doubted the accuracy of LaRouche's demand, that President Bush and Vice President Cheney should have their heads examined, will see those doubts vanish, upon reading what some madmen in the Administration are apparently planning for Iraq.

According to David E. Sanger and Eric Schmitt, writing in the *New York Times* of Oct. 11, "The White House is developing a detailed plan, modelled on the postwar occupation of Japan, to install an American-led military government in Iraq if the United States topples Saddam Hussein, senior Administration officials said today." Also contemplated are "war-crime trials of Iraqi leaders and a transition to an elected civilian government that could take months or years."

There is dissent in the Pentagon, State Department, and White House on this. What they are studying as models, are the occupations of Germany and Japan, but want to avoid the division Germany underwent.

According to this master plan, the first phase would see Iraq governed "by an American military commander— perhaps Gen. Tommy R. Franks, commander of United States forces in the Persian Gulf, or one of his subordinates— who would assume the role that Gen. Douglas MacArthur served in Japan after its surrender in 1945."

The Administration is said to be "coalescing around" the concept. "In contemplating an occupation, the Administration is scaling back the initial role for Iraqi opposition forces in a post-Hussein government. Until now it had been assumed that Iraqi dissidents both inside and outside the country would form a government, but it was never clear when they would take full control."

This is the first time U.S. officials have discussed the occupation idea. "Officials say they want to avoid the chaos and infighting that have plagued Afghanistan since the defeat of the Taliban. Mr. Bush's aides say they also want full control over Iraq while American-led forces carry out their principal mission: finding and destroying weapons of mass destruction...."

Elsewhere the article reports that the plan "would put an American officer in charge of Iraq for a year or more while the United States and its allies searched for weapons and maintained Iraq's oil fields.

"Asked what would happen if American pressure prompted a coup against Mr. Hussein, a senior official said, 'That would be nice.' But the official suggested that the American military might enter and secure the country anyway, not only to eliminate weapons of mass destruction but also to ensure against anarchy."

As for getting UN approval for a military move, the *Times* reports that the Administration is rather blasé, and would interpret *any* resolution passed giving them military authority, even if it doesn't explicitly do so. "Everyone would read this resolution their own way," is the way one officer put it.

The idea of the occupation is that the country's oil reserves would be fully taken over. "For as long as the coalition partners administered Iraq, they would essentially control the second largest proven reserves of oil in the world, nearly 11% of the total. A senior Administration official said the United Nations oil-for-food program would be expanded to help finance stabilization and reconstruction."

Apparently central to this plan, is Bush's special envoy for Afghanistan, Zalmay Khalilzad, who, in a speech last week, said: "The coalition will assume— and the preferred option— responsibility for the territorial defense and security of Iraq after liberation. Our intent is not conquest and occupation of Iraq," Khalilzad said. "But we do what needs to be done to achieve the disarmament mission and to get Iraq ready for a democratic transition and then through democracy over time." The *Times* says the Iraqis would be given power, only after the American-led transition. Both Iraq's military and the Baath Party would be "downsized," and party officials would be ousted from ministries.

This is one of many competing so-called plans. Richard Perle still wants Ahmed Chalabi of the INC, to be declared a sort of democratic dictator of Iraq, before an invasion is even launched. The State Department thinks the opposition groups are worthless, as does the CIA, and it is said that State would like a rival Iraqi general to take over from Saddam. Paul Wolfowitz told an interviewer recently, that he wants a 15-year military occupation of Iraq, which would re-educate the Iraqis to stop considering themselves Arabs— he called it "de-Arabization." They will class themselves as Kurds or Shiites or whatever, but not Arabs. Wolfowitz's final solution to the Arab problem, perhaps?

U.S. Warmongers Helping Iranian Hardliners

Hardliners in Iran are having a field day, in the wake of the U.S. Congress vote for war and for Jerusalem as Israel's capital. Former President Ali Akbar Hashemi Rafsanjani, currently head of the Expediency Council, addressed Friday prayers on Oct. 11, focussing on the Iraq war plans of the United States. He said it was not possible to predict what would happen, in the UN or otherwise: "The situation for an attack on Iraq is hard and there is no coalition similar to the one over Afghanistan. Meanwhile, it is not known where the war may lead and what may happen." He said Iran also wanted to see Iraq disarmed, "But any measure for Iraq's disarmament must be carried out under the UN aegis. Otherwise, America's unilateral move to unleash a war is to strike a match on a barrel of gunpowder."

Rafsanjani also denounced the Congress's decision to recognize Jerusalem as the Israeli capital; it "means that it [the U.S. government] does not pay attention to 1.5 billion Muslims and other world people who are interested in these [Palestinian] people. This is an insult." Finally, he blasted Jerry Falwell for his remarks on the Prophet Muhammed.

Major General Yahya Rahim-Safavi, Commander of the Islamic Revolution Guard Corps (IRGC), called for a mobilization of the world's Muslims against the Zionists. Speaking at a gathering of the *basijis* (the hard-line volunteer forces), currently engaged in war games, he called for a "massive global *basij*" to be formed, with participation of all

Muslims. He reckoned, if only 10% of the world's Muslims took part, it would create a force of 100 million; this force, he said, is the only means to assist the Palestinians and to liberate Jerusalem.

He also denounced the anti-Iraq war plans, saying that Iraq, after Afghanistan, was just a step in the process of establishing U.S. imperial control, and eliminating anti-American and Islamic governments.

Asia News Digest

Malaysia, China Sign \$1.5-Billion Swap Deal

Malaysia's Bank Negara and the People's Bank of China (PBC) have signed an agreement on a U.S.\$1.5 billion (RM5.70 billion) U.S. dollar-ringgit bilateral swap deal under the Chiang Mai Initiative. The agreement was signed on Oct. 9 in Beijing. "The agreement is part of the regional cooperative effort towards contributing to greater financial stability in the region," said Bank Negara.

Resistance Builds to ASEAN Tariff Cuts

The six original members of the Association of Southeast Asian Nations (ASEAN) are bracing for the January 2003 implementation of tariff cuts under the Common Effective Preferential Tariff (CEPT). Agricultural and industrial products traded among the ASEAN countries are slated to be reduced to 0-5% tariffs on agricultural and industrial products.

Some are signs of resistance:

*Raul T. Concepcion, long-time leader of Manila's business community and convenor of the Alliance of Concerned Downstream Industries, has called for a six-month to one-year delay of the AFTA tariff cuts to give more time to the Tariff Commission and the affected industries to sort out all petitions for tariff-cut delays.

*Philippines Trade and Industry Secretary Manuel Roxas said the Association of Petrochemical Manufacturers of the Philippines has petitioned for suspension of cuts in petrochemicals and resin tariffs from the current 15%.

*The Filipino tuna industry has succeeded in getting the government to warn that U.S./European trade barriers to its tuna exports could wipe out 100,000 jobs for locals, especially in the politically troubled southern provinces, which could trigger the potential for terrorism in the country.

*Indonesian textile producers are urging the government to delay import tariffs cuts, pointing out that the industry, which, prior to the 1997 crisis, was the 10th-largest textile producer in the world, has slipped to 17th, even with tariffs of 20-30%. Even so, estimates are that 40 textile producers are running at a financial loss, and 76 others have closed.

Manila's Trade Minister Roxas said he should not be blamed if more industries ask for extended tariff protection, because these industries were just using all the means available to defend their businesses.

Thailand Privatization Program on Hold Due to Falling Market

In yet another sign of Southeast Asian nations pulling back from globalization orthodoxy, the Thai Prime Minister Thaksin Shinawatra's new cabinet has responded to the market collapse by scrapping the privatization program indefinitely, and

stalling new issues. Finance Minister Jatusripitak said that, "because of the global stock-market slump, the board of state enterprises should have its own say as to when to privatize."

A September issue of BankThai (a merger of 13 failing banks three years ago) was a flop, selling only 78% of the offer, even at a 30% discounted price. The new Transport Minister Suriya Jungrunreangkit announced that the newly established Airports of Thailand (AoT) was delaying its initial public offering plans until some time next year. Several other cash-making state enterprises— Thai Airways International, TOT and the Port Authority of Thailand— have also missed their privatization deadlines, due to political and labor opposition.

Thai PM Renews Call for Asian Bond Market

In his speech to the World Economic Forum meeting in Putrajaya, Malaysia, Thai Prime Minister Thaksin Shinawatra said that Asian countries must work together so that the region could stand on its own economic feet and not be at the mercy of foreign financial speculators.

"Isn't it time," the Prime Minister asked, "for Asia to explore the setting up of an Asian bond market as a financial instrument to help maximize our continent's potentials, and prevent exploitation of our reserves by others against the interests of ourselves?" He suggested that a fund be set up to purchase bonds issued by Asian countries by mobilizing 1% of each country's reserves on a voluntary basis. In addition, he said, Asia needed a reliable credit-rating agency to provide impartial analysis of bond issuers.

Thaksin opened the three-day World Economic Forum, in Malaysia's capital city, Putrajaya, on Oct. 6, the theme of which is to rejuvenate growth and prevent a second Asian economic crisis at a time of looming uncertainty. The Prime Minister recalled the lessons of the first crisis in 1997: "Sadly and paradoxically, such flows [of capital] that had been inflicted upon us were the results of using, manipulating, and managing our own capital, very much against our own interests," Thaksin declared.

He warned that Asia's financial agenda still had to be addressed to ensure the full and sustainable recovery of the economies. "With the total combined international reserves amounting to over \$1 trillion, and with adequate savings, should Asia be suffering from a liquidity dilemma?"

Indonesian Veep Warns Against Terrorist Allegations

Indonesian Vice President Hamzah Haz, without naming the U.S., on Sept. 28 urged foreign countries to stop branding Indonesia a hotbed of terrorism, saying the campaign would incite people's fury against their countries. In his address to the Congress of the Indonesian National Youth Committee (KNPI), the Vice President said: "We warn that these baseless issues be stopped [from being spread] before [the] Indonesian people get angry. If the Indonesian people get angry and cannot be reined in, how will the government rein them in?"

Hamzah chairs the largest Muslim political party, the United Development Party. Previously, moderate Muslim leaders Hasyim Muzadi of the 40-million-strong Nahdlatul Ulama, and Sjafii Ma'arif of the 30-million-strong Muhammadiyah, criticized U.S. pressure on Indonesia.

Collapse of IMF's 'Korea Model' Continues

Just as Wall Street is touting the IMF's "economic miracle" in South Korea, it is rapidly collapsing. Based on foreign hot money, Seoul's KOSPI index is down over 27% this year, as the hot money flees once again. The Ministry of Commerce

reported Oct. 8, that Foreign Direct Investment (FDI) in Korea plunged 44% in September to \$589 million, from \$1.051 billion in September 2001, after dropping in August by 8%. Total third-quarter FDI fell 18% from the same period in 2001. U.S. investors accounted for 54% of the total FDI in the third quarter, followed by Japan with 17%, and the European Union 9.8%.

Meanwhile, the massive borrowing by consumers has begun to implode. The Bank of Korea (the central bank) and several Seoul think tanks issued a report Oct. 8 entitled "Household Debt Feared To Spur Mass Bankruptcies." The report warns that "Households are increasingly exposed to credit risks by taking out more loans from financial institutions, which is causing worries over a possibly massive number of household bankruptcies." Kim Min-ho, an official at the central bank, said, "The increase in loans to the retail sector accelerated last month due to a hike in housing mortgage loans caused by real estate price increases. It seems individuals still have the expectation that they can make capital gains from real estate speculation."

According to the Bank of Korea, household debt reached almost \$400 billion at the end of June, up 34.3% from the previous year. In particular, the ratio of household debt against the nation's Gross Domestic Product reached around 70% at the end of June, and is fast approaching the U.S. level of 80% of GDP, BOK warns. "Market experts said that having a credit expansion when real-estate prices are in bubble is a dangerous signal for the economy," they note.

India-Pakistan Border Tensions Lessened; India Endorses Preemptive Strike Principle

India has removed "some high-tech equipment and aircraft" posted along the India Pakistan borders, according to Pakistan's Director-General Inter Services Public Relations. Pakistan has not reciprocated the Indian initiative yet, in reaction to what it deems aggressive statements issued by some Indian leaders recently.

Indian Prime Minister Atal Behari Vajpayee, who is visiting Cyprus and the United Kingdom, has told the British media that there will be no war between India and Pakistan. His statement stands somewhat in contradiction to his External Affairs Minister Yashwant's Sinha's statement last week when he told the media at Ranchi that "war is the last option, and it will be used after all diplomatic options are exhausted."

At the same time, Indian Finance Minister Jaswant Singh told the American media on Sept. 30 in Washington, that India recognizes preemptive strike as a valid interpretation of Article 51 of the UN Charters. Jaswant Singh's statement was read in India as expressive of New Delhi's intent to hit Pakistan preemptively to remove the terrorist training camps within the Pakistan-held part of Kashmir.

An Indian Defense Ministry spokesman has also told the *Press Trust of India* that India has signed a deal, worth about \$70 million with Israel, whereby India will receive 1,022 portable radars, manufactured by the Israeli EL-OP company. Some of these portable radars have already been installed along the disputed Line of Control in the state of Jammu and Kashmir. These radars can detect human movement up to 10 kilometers.

Pakistan Test-Fires Another Missile

In its second test within five days, Pakistan test-fired an HATF-IV medium-range surface-to-surface ballistic missile which could hit targets at a range of 750 km (about 470 miles), according to *The Hindu* Oct. 8. A Pakistan Defense Ministry spokesman said the missile test was a success. He also said the test "was in continuation of the one conducted on Oct. 4 to validate certain additional parameters."

Beside this flexing of muscle to deter the fully prepared 700,000 Indian troops deployed along the India-Pakistan border

and ready to wage war, Pakistan's missile test-firings were also a part of grandstanding by the military rulers for the general elections on Oct. 10. President Pervez Musharraf is under attack from the religious-political grouping, which was hand-shaped by the President himself, for selling out to the "American dogs." By testing these missiles against Washington's expressed opposition, President Musharraf is exhibiting his "independence" from foreign controllers.

Beijing: India and Pakistan Should Ally To Fight Terrorism

Beijing's Vice Minister of Foreign Affairs, Wang Yi, during his discussions with a senior editor of the *Times of India*, said that instead of frittering away its energies in debilitating quarrels with Islamabad, New Delhi should join hands with Pakistan to fight the menace of terrorism that targets both countries with equal animosity, *The Dawn* reported Oct. 7.

Addressing the Kashmir issue directly, Wang Yi said that while recent armed attacks in Kashmir were acts of terrorism, the issue of Kashmir was not about terrorism alone. "It was a leftover from history, from the aftermath of British colonialism, and it involved very complicated territorial and religious issues," Wang added.

Wang also made it clear to the *Times of India* that Pakistan is an "old friend," and "it is in the Chinese tradition to value an old friend." "Pakistan is our neighbor as well as your neighbor. Our relationship with Pakistan is based on the principles of *panchashila* (five principles of peaceful co-existence). It is not targeted at a third country [India], and this is why China could not understand why our Indian friends are suspicious about the China-Pakistan relationship."

Indian Prime Minister Vajpayee will be visiting China soon. The date has not been fixed, but it is likely that he will go this year. These press briefings are ostensibly a part of Vajpayee's forthcoming trip.

Nepal's Constitutional Crisis Worsens

Asia News Digest

Malaysia, China Sign \$1.5-Billion Swap Deal

Malaysia's Bank Negara and the People's Bank of China (PBC) have signed an agreement on a U.S.\$1.5 billion (RM5.70 billion) U.S. dollar-ringgit bilateral swap deal under the Chiang Mai Initiative. The agreement was signed on Oct. 9 in Beijing. "The agreement is part of the regional cooperative effort towards contributing to greater financial stability in the region," said Bank Negara.

Resistance Builds to ASEAN Tariff Cuts

The six original members of the Association of Southeast Asian Nations (ASEAN) are bracing for the January 2003 implementation of tariff cuts under the Common Effective Preferential Tariff (CEPT). Agricultural and industrial products traded among the ASEAN countries are slated to be reduced to 0-5% tariffs on agricultural and industrial products.

Some are signs of resistance:

*Raul T. Concepcion, long-time leader of Manila's business community and convenor of the Alliance of Concerned Downstream Industries, has called for a six-month to one-year delay of the AFTA tariff cuts to give more time to the Tariff Commission and the affected industries to sort out all petitions for tariff-cut delays.

*Philippines Trade and Industry Secretary Manuel Roxas said the Association of Petrochemical Manufacturers of the Philippines has petitioned for suspension of cuts in petrochemicals and resin tariffs from the current 15%.

*The Filipino tuna industry has succeeded in getting the government to warn that U.S./European trade barriers to its tuna exports could wipe out 100,000 jobs for locals, especially in the politically troubled southern provinces, which could trigger the potential for terrorism in the country.

*Indonesian textile producers are urging the government to delay import tariffs cuts, pointing out that the industry, which, prior to the 1997 crisis, was the 10th-largest textile producer in the world, has slipped to 17th, even with tariffs of 20-30%. Even so, estimates are that 40 textile producers are running at a financial loss, and 76 others have closed.

Manila's Trade Minister Roxas said he should not be blamed if more industries ask for extended tariff protection, because these industries were just using all the means available to defend their businesses.

Thailand Privatization Program on Hold Due to Falling Market

In yet another sign of Southeast Asian nations pulling back from globalization orthodoxy, the Thai Prime Minister Thaksin Shinawatra's new cabinet has responded to the market collapse by scrapping the privatization program indefinitely, and stalling new issues. Finance Minister Jatusripitak said that, "because of the global stock-market slump, the board of state enterprises should have its own say as to when to privatize."

A September issue of BankThai (a merger of 13 failing banks three years ago) was a flop, selling only 78% of the offer, even at a 30% discounted price. The new Transport Minister Suriya Jungrunreangkit announced that the newly established Airports of Thailand (AoT) was delaying its initial public offering plans until some time next year. Several other cash-making state enterprises— Thai Airways International, TOT and the Port Authority of Thailand— have also missed their privatization deadlines, due to political and labor opposition.

Thai PM Renews Call for Asian Bond Market

In his speech to the World Economic Forum meeting in Putrajaya, Malaysia, Thai Prime Minister Thaksin Shinawatra said that Asian countries must work together so that the region could stand on its own economic feet and not be at the mercy of foreign financial speculators.

"Isn't it time," the Prime Minister asked, "for Asia to explore the setting up of an Asian bond market as a financial instrument to help maximize our continent's potentials, and prevent exploitation of our reserves by others against the interests of ourselves?" He suggested that a fund be set up to purchase bonds issued by Asian countries by mobilizing 1% of each country's reserves on a voluntary basis. In addition, he said, Asia needed a reliable credit-rating agency to provide impartial analysis of bond issuers.

Thaksin opened the three-day World Economic Forum, in Malaysia's capital city, Putrajaya, on Oct. 6, the theme of which is to rejuvenate growth and prevent a second Asian economic crisis at a time of looming uncertainty. The Prime Minister recalled the lessons of the first crisis in 1997: "Sadly and paradoxically, such flows [of capital] that had been inflicted upon us were the results of using, manipulating, and managing our own capital, very much against our own interests," Thaksin declared.

He warned that Asia's financial agenda still had to be addressed to ensure the full and sustainable recovery of the economies. "With the total combined international reserves amounting to over \$1 trillion, and with adequate savings,

should Asia be suffering from a liquidity dilemma?"

Indonesian Veep Warns Against Terrorist Allegations

Indonesian Vice President Hamzah Haz, without naming the U.S., on Sept. 28 urged foreign countries to stop branding Indonesia a hotbed of terrorism, saying the campaign would incite people's fury against their countries. In his address to the Congress of the Indonesian National Youth Committee (KNPI), the Vice President said: "We warn that these baseless issues be stopped [from being spread] before [the] Indonesian people get angry. If the Indonesian people get angry and cannot be reined in, how will the government rein them in?"

Hamzah chairs the largest Muslim political party, the United Development Party. Previously, moderate Muslim leaders Hasyim Muzadi of the 40-million-strong Nahdlatul Ulama, and Sjafii Ma'arif of the 30-million-strong Muhammadiyah, criticized U.S. pressure on Indonesia.

Collapse of IMF's 'Korea Model' Continues

Just as Wall Street is touting the IMF's "economic miracle" in South Korea, it is rapidly collapsing. Based on foreign hot money, Seoul's KOSPI index is down over 27% this year, as the hot money flees once again. The Ministry of Commerce reported Oct. 8, that Foreign Direct Investment (FDI) in Korea plunged 44% in September to \$589 million, from \$1.051 billion in September 2001, after dropping in August by 8%. Total third-quarter FDI fell 18% from the same period in 2001. U.S. investors accounted for 54% of the total FDI in the third quarter, followed by Japan with 17%, and the European Union 9.8%.

Meanwhile, the massive borrowing by consumers has begun to implode. The Bank of Korea (the central bank) and several Seoul think tanks issued a report Oct. 8 entitled "Household Debt Feared To Spur Mass Bankruptcies." The report warns that "Households are increasingly exposed to credit risks by taking out more loans from financial institutions, which is causing worries over a possibly massive number of household bankruptcies." Kim Min-ho, an official at the central bank, said, "The increase in loans to the retail sector accelerated last month due to a hike in housing mortgage loans caused by real estate price increases. It seems individuals still have the expectation that they can make capital gains from real estate speculation."

According to the Bank of Korea, household debt reached almost \$400 billion at the end of June, up 34.3% from the previous year. In particular, the ratio of household debt against the nation's Gross Domestic Product reached around 70% at the end of June, and is fast approaching the U.S. level of 80% of GDP, BOK warns. "Market experts said that having a credit expansion when real-estate prices are in bubble is a dangerous signal for the economy," they note.

India-Pakistan Border Tensions Lessened; India Endorses Preemptive Strike Principle

India has removed "some high-tech equipment and aircraft" posted along the India Pakistan borders, according to Pakistan's Director-General Inter Services Public Relations. Pakistan has not reciprocated the Indian initiative yet, in reaction to what it deems aggressive statements issued by some Indian leaders recently.

Indian Prime Minister Atal Behari Vajpayee, who is visiting Cyprus and the United Kingdom, has told the British media that there will be no war between India and Pakistan. His statement stands somewhat in contradiction to his External Affairs Minister Yashwant's Sinha's statement last week when he told the media at Ranchi that "war is the last option, and it will be used after all diplomatic options are exhausted."

At the same time, Indian Finance Minister Jaswant Singh told the American media on Sept. 30 in Washington, that India recognizes preemptive strike as a valid interpretation of Article 51 of the UN Charters. Jaswant Singh's statement was read in India as expressive of New Delhi's intent to hit Pakistan preemptively to remove the terrorist training camps within the Pakistan-held part of Kashmir.

An Indian Defense Ministry spokesman has also told the *Press Trust of India* that India has signed a deal, worth about \$70 million with Israel, whereby India will receive 1,022 portable radars, manufactured by the Israeli EL-OP company. Some of these portable radars have already been installed along the disputed Line of Control in the state of Jammu and Kashmir. These radars can detect human movement up to 10 kilometers.

Pakistan Test-Fires Another Missile

In its second test within five days, Pakistan test-fired an HATF-IV medium-range surface-to-surface ballistic missile which could hit targets at a range of 750 km (about 470 miles), according to *The Hindu* Oct. 8. A Pakistan Defense Ministry spokesman said the missile test was a success. He also said the test "was in continuation of the one conducted on Oct. 4 to validate certain additional parameters."

Beside this flexing of muscle to deter the fully prepared 700,000 Indian troops deployed along the India-Pakistan border and ready to wage war, Pakistan's missile test-firings were also a part of grandstanding by the military rulers for the general elections on Oct. 10. President Pervez Musharraf is under attack from the religious-political grouping, which was hand-shaped by the President himself, for selling out to the "American dogs." By testing these missiles against Washington's expressed opposition, President Musharraf is exhibiting his "independence" from foreign controllers.

Beijing: India and Pakistan Should Ally To Fight Terrorism

Beijing's Vice Minister of Foreign Affairs, Wang Yi, during his discussions with a senior editor of the *Times of India*, said that instead of frittering away its energies in debilitating quarrels with Islamabad, New Delhi should join hands with Pakistan to fight the menace of terrorism that targets both countries with equal animosity, *The Dawn* reported Oct. 7.

Addressing the Kashmir issue directly, Wang Yi said that while recent armed attacks in Kashmir were acts of terrorism, the issue of Kashmir was not about terrorism alone. "It was a leftover from history, from the aftermath of British colonialism, and it involved very complicated territorial and religious issues," Wang added.

Wang also made it clear to the *Times of India* that Pakistan is an "old friend," and "it is in the Chinese tradition to value an old friend." "Pakistan is our neighbor as well as your neighbor Our relationship with Pakistan is based on the principles of *panchashila* (five principles of peaceful co-existence). It is not targetted at a third country [India], and this is why China could not understand why our Indian friends are suspicious about the China-Pakistan relationship."

Indian Prime Minister Vajpayee will be visiting China soon. The date has not been fixed, but it is likely that he will go this year. These press briefings are ostensibly a part of Vajpayee's forthcoming trip.

Nepal's Constitutional Crisis Worsens

Nepali King Gyanendra, who on Oct. 4 dismissed the government of Prime Minister Sher Bahadur Deuba and the Parliament, and promised to form a Cabinet on Oct. 9, left the capital abruptly, throwing the country into a Constitutional crisis. Meanwhile, Gyanendra has called off all his appointments set earlier with the Nepali political party leaders. The King has cut off all communications with the political parties.

Following the sacking of the Deuba government and dismissal of the Parliament, the King left for his ancestral home in Gorkha, 95 miles west of Kathmandu, to celebrate a Hindu festival. Gyanendra's shock move last week was the first time a king had assumed direct power since parliamentary democracy replaced absolute monarchy in 1990.

Meanwhile, suspected Maoist rebels set off a small bomb at a Norwegian-funded private Hydel hydroelectric project, but the explosion caused no major damage. It was the third blast since Gyanendra dismissed Deuba. The Maoists have denounced the King's takeover and urged "a united struggle against the feudalistic and despotic move."

AFRICA NEWS DIGEST

Sudanese War Widens; New Offensive Launched from East

On Oct. 3, according to a Sudanese government spokesman at the embassy in Berlin, a "well-planned and [well]-timed offensive" took place along the eastern borders of Sudan, on a 180-kilometer front along the border with Eritrea. Hamashkoraib and eight other locations were hit by heavy artillery shelling. The Sudanese embassy statement continued: "Advanced military equipment and intense artillery support from within Eritrean territory, have backed this blunt aggression. Moreover, the area used as a base to launch the aggression against Sudan is a completely [un]inhabitable mountainous desert, lacking water, food and other basic supplies; the only way to make these provisions available in this area comes from Eritrea." The release says the rebel movement announced its capture of some locations "from Asmara" (the Eritrean capital), while the Sudanese military forced the rebels to retreat.

In denouncing the role of Eritrea now, and earlier, the Sudanese embassy release said the "malicious designs of Eritrea set sights on all its neighbors: Sudan, Ethiopia, Yemen, and Djibouti."

This new attack came shortly after the rebels took the southern town of Torit. The entire operation, in the south and east, probably could not have been organized without the substantial support of other forces— the U.S., and, reportedly, the Israelis.

Sudanese Army Vows To Retake Towns Captured by Rebels

Sudanese Army spokesman Gen. Mohamed Beshir Suleiman told the press, according to *Agence France Presse* and Sudanese wires, that Sudanese troops had "destroyed the capabilities" of the SPLA rebels "around Torit," the town in the south the SPLA captured weeks ago. He said government forces "have begun marching to clear the rebel pockets surrounding Hamashkurb," a garrison town near the Eritrean border which they just took, and added, "We will use all our air and ground capability until the enemy gets out of Sudan."

The attacks, both in the south and in the east, have been massive. General Suleiman asserted that the rebels "cannot launch such an attack without the backing of a neighboring country." Sudanese sources have told *EIR* that forces from Uganda, Kenya, and Israel, were involved in the capture of Torit, which had deployed 9,000 troops. It is reported that talks have gone on between the SPLA and Israeli elements, regarding the possibility of diverting Nile waters to Israel, if and when southern Sudan became independent of the North. Politically and logistically, the U.S. is also said to be backing the renewed rebel offensive.

The fact that the eastern offensive has been mounted from Eritrea, and with Eritrean troops, also indicates the hand of the U.S. and others, since Eritrea, following the conflict with Ethiopia, has been decimated. Alone, it could do nothing.

U.S. House of Representatives Demands War Crimes Probe for Sudan

According to *AFP*, *AP*, and Sudanese wires, the U.S. House of Representatives on Oct. 7 approved the Sudan Peace Act, by a vote of 359-8, as if in coordination with the escalating military attacks against Sudan. The Congressional resolution urges the President to downgrade or suspend diplomatic relations unless Sudan makes progress towards peace. It also claims that the names of perpetrators of crimes against humanity are known, and that, therefore, they could be prosecuted.

"The Secretary of State shall collect information about incidents which may constitute crimes against humanity, genocide, war crimes, and other violations of international humanitarian law by all parties to the conflict in Sudan, including slavery, rape, and aerial bombardment of civilian targets," the bill reads. The resolution, sponsored by Tom Tancredo (R-Colorado), calls for the U.S. to oppose loans to Sudan, cut its access to oil revenues, and seek a UN embargo if, after six months, Sudan is deemed not to be negotiating in good faith in resumed peace talks with the SPLA. Now the bill goes to the Senate.

The Sudanese government in Khartoum reacted angrily to the resolution, calling it a "hostile, biased and religiously motivated bill," which would prolong the war and the suffering in Sudan. The Sudanese statement was issued by the embassy of Sudan in Washington. The statement said that the U.S. had "irrationally" chosen to blame the Sudanese government for the casualties of the 19-year civil war as well as a possible failure of the peace talks, due to resume in the Kenyan town of Machakos shortly.

South Africa Fears U.S. Attack on Iraq Would Drive Oil Prices Sky-High

The South African government knows that a U.S. military attack on Iraq not only risks destabilizing the Mideast, but could cause oil prices to skyrocket, "wrecking our economy and any prospect for Africa's development," writes John Stremlau in the Oct. 8 *Business Day* of Johannesburg. Stremlau is head of the Department of International Relations, at the University of the Witwatersrand, Johannesburg.

Thus, Stremlau continues, the government is working with other developing nations "to stop a political and economic catastrophe. Doing so, though, means challenging the U.S., a nation of unprecedented global military and economic predominance...." Stremlau adds that former President Nelson "Mandela's public denunciation last month of any U.S. action that flouted the UN now seems to have been the keynote in this vital diplomatic campaign, and was an action closely coordinated with President Mbeki's office." Stremlau notes that last week, Deputy Foreign Minister Aziz Pahad met with the ambassadors of UN Security Council permanent members France, Russia, and China— just before he left on a trip to the Middle East, to Iran, Oman, and the United Arab Emirates.

British/U.S. War Party Claims South African Selling Components to Iraq for WMD

The South African Foreign Ministry on Oct. 10 denounced charges that South Africa was supplying components to Iraq for production of "weapons of mass destruction," which charges have appeared in the U.S. and British press. "These allegations against the South African government and individuals are not only factually incorrect, but may prove to be libelous. These futile attempts are aimed at discrediting the South African government and former President Nelson Mandela by making unsubstantiated allegations and vague aspersions," said the release from the Department of Foreign Affairs.

Deputy Foreign Minister Pahad called the charges "nonsense," and intended to discredit Mandela for his criticism of the Anglo-American plans to attack Iraq.

Britain's *Spectator* and America's *Insight on the News* recently ran articles alleging that South Africa was selling aluminum tubes for uranium centrifuges to Iraq, and that the First Secretary at the South African Embassy in Jordan was acting as the local sales representative to the Iraqi procurement agents.

Wrote *The Spectator* Oct. 5: "Mr. Mandela's country has been busy selling aluminum tubes for uranium enrichment centrifuges to Saddam." The article continued that the action was "bringing significantly closer the day when the entire Middle East, much of Africa, and even Europe will be under the Saddamite nuclear umbrella and thus safe from Bush's aggression.... The willingness of the South African government to sell nuclear material and weapons to Iraq, and their fear of getting caught, could explain the virulent outburst by former South African President Nelson Mandela, who told *Newsweek* recently that the U.S.— not Saddam Hussein— presents a threat to world peace."

Relationship Between Famine and AIDS Exposed in Washington

In stark contrast to the way Lyndon LaRouche addressed the crisis of Africa in his Oct. 12 interview on The LaRouche Show weekly webcast (see this week's FLASH], "elites" at the Center for Strategic and International Studies (CSIS) in Washington, D.C., sat by indifferently as UN Special Envoy for HIV/AIDS in Africa Stephen Lewis, laid out the disaster.

Speaking on Oct. 4, Lewis described his meeting the week before with James Morris, head of the World Food Program, who had just returned from a fact-finding mission to southern Africa, and noted that Morris was "reeling from what he's seen. He had instantly recognized that food was only part of the problem." Lewis then quoted the WFP Mission report: "What the mission team found was shocking. There is a dramatic and complex crisis unfolding in southern Africa. Erratic rainfall and drought can be identified as contributing factors to acute vulnerability, but in many cases the causes of the crisis can be linked to other sources.... Worst of all, southern Africa is being devastated by the HIV/AIDS pandemic.... The relationship between the HIV/AIDS pandemic and the reduced capacity of the people and governments of southern Africa to cope with the current crisis is striking."

Lewis went on to describe consultations he had with others on the WFP mission, notable academics and others: "Let me tell you what I think— I obviously cannot prove— but what I think has happened. I think it is reasonable to argue that AIDS has caused the famine; that what we all feared one day would happen, is happening. So many people, particularly women, have died, or are desperately ill, or whose immune systems are like shrinking parchment, that there simply aren't enough farmers left to plant the seeds, till the soil, harvest the crops, provide the food. We may be witness to one of those appalling, traumatic societal upheavals where the world shifts on its axis. We've been predicting that you can't ravage the 15- to 49-year-old productive age group forever, without reaping the whirlwind. The whirlwind is in southern Africa."

South African Students Union Wants Alternative to Privatization, IMF

According to the Oct. 10 issue of the Lusaka-based *Post*, the Southern African Students Union (SASU) Congress resolved at a meeting in Windhoek, Namibia, Oct. 5-6 that African governments should abandon neo-liberal policies that are aimed at pleasing imperialists. Zambian National Students Union (ZANUSA) president Godfrey Kumwenda, who represented Zambia at the student conference, said there was clear agreement that the policies put in place to please Western capitalists were a disaster. "The Congress also observed that the role of the International Monetary Fund and the World Bank in Africa, especially in education, health and social delivery systems has left the region in the current poverty levels. We must stop privatization now."

On the issue of NEPAD, the economic plan being pushed by African Presidents Mbeki (South Africa) and Obasanjo (Nigeria), the Congress noted that this initiative lacked African ownership and that students were worried that imperialists were taking over the implementation of the program by beginning to put conditions on it. Kumwenda said students hoped that NEPAD would not end up hijacking the African Union.

In addition, the Congress condemned the role of the U.S. in the Middle East crisis. "U.S. foreign policy is a mess and needs to be reviewed for the interest of world peace. The Congress also condemned the U.S. attempt to attack Iraq," Kumwenda said.

This Week in History

October 14-20, 1781

This week we commemorate, and bring to your attention, the Battle of Yorktown, the battle of the American War of Independence which resulted in the surrender of Britain's General Lord Cornwallis to America's General George Washington in Yorktown, Virginia, on Oct. 17, 1781. This victory effectively decided the War of Independence, and should be far better remembered than it is today.

The major point to be made, hearkens back to the reasons for that war. Too many of our citizens, and even our leaders, have forgotten just what forced the founders of our nation to take up arms against Great Britain: the fundamental conflict between the oligarchical and republican systems. This is obvious from the many references made today to the alleged alliance among "English-speaking" peoples. This loss of understanding is painfully evident at the site where Yorktown is commemorated today, which features a plaque, signed by President Ronald Reagan, pledging eternal friendship between the United States and Great Britain, as proceeding from that date.

What an atrocity! Yorktown did not clear the decks for future friendship between America and Great Britain. Rather, the British monarchy maintained efforts up through the Civil War, to prevent the coalescence of the United States, and/or to break the nation into parts— through various secession plots, the War of 1812, and the Civil War itself. In addition to the physical assaults, the British, to this day, abhor the republican principles upon which the United States of America is based.

The British surrender at Yorktown did not end the War of Independence, either. Despite the fact that the French Navy's joint deployment with the American and French troops had decisively defeated the main force of the British Army, other sections of the Army continued to fight, and negotiations for a final treaty dragged on until 1783.

Yet, strategically, the war was wrapped up at Yorktown. Cornwallis had established a fort there, and knew he was surrounded by American and French forces. He sent word for reinforcements from the British Navy in New York, but they never came. The French fleet, led by Admirals de Grasse and de Barras, effectively blocked a British approach by sea, and any possible attempt by the British to escape. A siege by land and sea forced Cornwallis to decide to surrender, before he was overrun.

The actual surrender itself is depicted in the famous painting by John Trumbull pictured here.

But it was not straightforward. Having sent a message to Gen. Washington that they were ready to surrender, the British were not very happy. They, and the Germans fighting with them, had to be forced from their fort, and forced to bring their colors with them. The British played "The World Turned Upside Down," a popular song of the time, to express their view of events.

Meanwhile, Gen. Cornwallis stayed inside, claiming sickness. He sent out his second in command, Gen. O'Hara, to surrender. But O'Hara initially tried to surrender to the French, not the Americans! The French refused to accept this

intentional slight against the sovereignty of the United States.

General Washington, equally conscious of the need to assert the dignity of the new nation, then refused to accept Cornwallis's sword from O'Hara. He instead made O'Hara, number two, surrender the sword to the American second in command, Gen. Benjamin Lincoln.

In London, the significance of the defeat of Cornwallis was well understood, and negotiations toward a peace began.

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