

## **Electronic Intelligence Weekly**

### **Online Almanac**

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## **THIS WEEK YOU NEED TO KNOW**

### **Why We Must Land on the Moon**

**by Lyndon H. LaRouche, Jr. — Saturday, Nov. 16, 2002**

The following is suitable for reading aloud by honest priests and pastors in churches.

There can be no hesitation on the matter of defeating the Moon cult now. Once Larry Hecht's paper (in progress) is completed, all of the essential facts proving the case are in. The facts are such, that only by landing, full force, on the Moon cult's continuing role as the keystone, ultra-gnostic element of the postwar international fascist movement, is there a possibility of saving the world from a plunge into a new dark age. Fortunately, the Moon's present self-exposure renders it vulnerable to induced self-destruction.

Take, for example, the characteristic defense proffered by corrupted, nominally Christian churches and also an increasing number of U.S. politicians designated as of African descent: "We need that sex-peddler Moon's money!" Read a famous story by Stephen Vincent Benet, "The Devil and Daniel Webster." Compare the Moonie approach to the prospective Judases of the pulpit with the role of Benet's Satan, "Mr. Scratch." Compare "I Come Up With The Scratch," Moon's pitches to the corruptible, with the curious dogma of the "elect" as spread by the neo-Manichean Cathar cult, as the latter is mimicked by the Physiocrat Quesnay, and with the pitch of the original incarnation of "Elmer Gantry," traitor Aaron Burr's grandfather, Jonathan Edwards. Compare the dupe who succumbs to such gnostic blandishments with the Biblical case of the salty Mrs. Lot.

This aspect of the case can not be separated from the curiously monied Moon cult's keystone role as the official chief pimp of the post-1949 fascist international. Look at the who, what, and when of the cult's NATO-sponsored origins, back then, among certain relevant family circles in Korea and Japan. Look into roots to be found in the connections of the first and second Sino-Japan war, and subjugation of Korea, during the 1894-1945 interval. Take the scandalous connections of Col. Oliver North and Leesburg's Nestor Sanchez, and the U.S. creation of Osama bin Laden, as merely one example of the connections to drug-trafficking money and the "Chickenhawk"-connected, worldwide fascist international today.

Then, as Larry Hecht does, take a step backward, to the British origins of the Moon cult in nuclear-preventive-warrior H.G. Wells' and Bertrand Russell's combining "world government through 'preventive' nuclear terror" with "peace through satanic varieties of new world religions." E.g., "Moral Rearmament," the origin of the Moon cult of "sex as a world religion."

### **Will the Real Satan Now Stand Up?**

So, Wells and Russell designed and launched, simultaneously, both "preventive nuclear war as the road to world government," and "world submission through moral disarmament."

So, Britain's King Edward VII, in his capacity as Prince of Wales, begat the career of Thomas Huxley, who begat H.G. Wells. That Prince of Wales was manufactured by the tutelage of Lord Palmerston and the grandfather of Bertrand Russell. But, the Jeremy Bentham who begat Palmerston, was misbegotten by the British East India Company's Lord Shelburne, who was produced by the Anglo-Dutch liberalism of John Locke, as dispensed by the butcher William of Orange. The Anglo-Dutch liberalism of William of Orange, was the bastard offspring of the infamous two "Its" of early Seventeenth-Century English decadence, Francis Bacon and the Thomas Hobbes, known to intimates as "Hog," and often alluded to as "Old Hob." The mated pair of Bacon and Hog was the progeny of Venice's Paolo Sarpi and Sarpi's household lackey, Galileo.

Will the original Satan now please stand up?

## **Is Your Clergyman or Congressman a Moonie Sex-Cultist?**

*Editor's note:* With the U.S. economy already in the throes of a depression, the Moon cult is serving a bankrupt Anglo-American financier oligarchy as a kind of killer virus, spreading corruption and perversion into every level of the religious and political community in America, to stifle any effective organized alternative to the accelerating collapse.

Political leadership in a time of grave crisis, like the present, requires men and women possessed of great moral courage—the kind of moral courage that rejects the offerings of a Satanic lunatic like Moon and his right-wing spook controllers. LaRouche is demanding that the U.S. Congress and the Executive Branch launch a full-scale cleanup of this Moonie poison.

To accomplish this long-overdue cleanup, LaRouche's 2004 Presidential campaign issued 500,000 copies of a leaflet excerpted below, entitle, "Is Your Clergyman or Congressman a Moonie Sex-Cultist?" If you doubt how extensive this corrupt operation is, ask some questions of local leaders—and then back LaRouche's demand.

The full leaflet can be found on the website, <http://www.larouchein2004.com>

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Lyndon LaRouche, the leading qualified candidate for the 2004 Democratic Party Presidential nomination, has a few very important questions for you. Is your priest, your minister, your imam, or your rabbi, a Moonie? Is your U.S. Congressman or Senator a Moonie? Do you know the answer? Your future and the future of this entire nation may rest on the answers to those questions—and what you choose to do about it if the answer to any of them is "yes."

Here's why: The Unification Church of Reverend Sun Myung Moon, otherwise known as the Moonies, is the biggest single source of corruption and perversion in the United States today. The Moonies, through scores of front groups, are spreading literally billions of dollars a year in offshore laundered money—some of it almost certainly derived from the sales of illegal drugs and weapons—to buy off American politicians, religious leaders, former civil rights activists, and other constituency leaders. The dirty money is frequently followed by sexual favors from an army of young women—all brainwashed into Moon's bizarre sexual rituals.

Among the most well-known Senators and Congressmen who have been bought off by Moon's dirty money: Sen. Joseph Lieberman (D-Conn.), Sen. John McCain (R-Ariz.), Sen. Rick Santorum (R-Pa.), and Rep. Dan Burton (R-Ind.).

If you thought the Iran-Contra affair or the so-called "Chinagate" scandal was a big deal, you will be shocked to learn about

"Moongate," the scandal that the entire American Establishment media has systematically covered up.

Here are some of the basic, undisputed facts:

\*Back in the 1950s, Reverend Sun Myung Moon was picked up by a group of ultra-right-wing American and Korean intelligence agents, who promoted him because he already had a track record of arrests for sexual crimes, which had landed him in jail in both North and South Korea.

Under the sponsorship of the KCIA's Col. Bo Hi Pak, and a group of U.S. and British intelligence agents, linked to William F. Buckley, Jr., and to the Moral Rearmament Movement of Nazi sympathizer Frank Buchman, Moon launched his Unification Church. From the outset, it was a front for the Asian Peoples and World Anti-Communist Leagues, which assembled a collection of Japanese right-wing Yakuza gangsters and war criminals, wartime Nazi and Fascist escapees, and other low-lives, to build a so-called resistance paramilitary apparatus, in the event of a Communist takeover in Asia, Europe, or the Americas. This apparatus, into which Moon was inducted, made up the core of all subsequent international right-wing terrorist operations.

## **Moon's Satanic 'Theology'**

\*Moon's "theology" is outright Satanic. Moon, in scores of published locations, declares himself to be the "True Parent," chosen by God to complete the failed mission of Jesus Christ, who was crucified before he could take a wife and father a new super-race of human beings free from original sin. Moon's now-notorious mass-marriage ceremonies claim to be the launching of precisely this new super-race, with Reverend and Mrs. Moon as the "True Parents." This kind of "super-race" ideology comes right out of the pages of Friedrich Nietzsche and Adolf Hitler.

In a July 4, 2002 full-page ad in his own *Washington Times* newspaper, Moon blasphemed every monotheistic religion, by publishing purported quotes from Jesus Christ, the Prophet Mohammed, Moses, and God, all pronouncing Reverend Moon to be the only true Son of God.

Some aspects of Moon's theology are more graphically Satanic and scatological, as in a speech that he delivered in Buenos Aires, Argentina on Nov. 23, 1996—with former President George Bush at his side. Moon asked: "When you defecate, do you use a mask? This is no laughing matter, this is serious. When you were kids, did you ever taste the cooties from your nose? Why didn't you feel they were dirty? Because that's a part of your body. The Reverend Moon has discovered something that no one else had thought about." The full text of the speech appeared in the *Washington Times*.

\*In the 1980s, money from Moonie front groups, like CAUSA, bankrolled two of the biggest narco-coups in memory: the 1980 "Cocaine Colonels coup" in Bolivia, and the military takeover of Honduras by a group of generals and colonels who would later be prosecuted by the U.S. Justice Department for smuggling \$10 million of cocaine into the United States.

From 1973 on, the Moonies operated freely under the military dictatorship in Uruguay, laundering vast sums of money through Montevideo banks, which they purchased with the collusion of the dictators. In one short period in 1996 alone, according to Uruguayan news accounts, the Moonie-owned Banco de Credito received \$80 million in cash deposits, delivered by over 4,000 Japanese women, all members of the Moon cult. The source of the money was never determined; nevertheless, some of the funds were laundered into the United States to finance Moon's corrupt operations. The *Washington Times* newspaper, which Moon and Bo Hi Pak launched in 1982, has lost between \$30-100 million a year, but continues to publish, largely on the basis of the bottomless flow of Moonie offshore cash, according to several published accounts of the Moon empire.

## The Sharon Connection

All of these Moonie links to the South and Central American narco-terror apparatus were established in close collusion with the radical right-wing circles of Prime Minister Ariel Sharon in Israel, which are now behind the Nazi-modelled genocide of the Palestinians in the West Bank and Gaza Strip. The Moonie-Sharon connection was established by the late Joseph Churba, a top operative for Moon's CAUSA, who had earlier been a co-founder of the terrorist Jewish Defense League of Rabbi Meir Kahane. Churba, along with Col. Bo Hi Pak, hosted a series of Moonie CAUSA conferences in Tel Aviv, Israel in 1986, which were addressed by "Dirty Rafi" Eytan, the controller of convicted Israeli spy Jonathan Jay Pollard, and a notorious Mossad killer; and Yossef Bodansky, another suspected member of the Pollard spy ring, whose covers included writing for the Moonie *Washington Times*.

\*In the 1990s, Moonie cash and sex bought up control over the entire so-called "Christian Zionist" apparatus, beginning with the not-so Reverend Jerry Falwell, who ripped off his own supporters for a reported \$73 million, and then went onto the Moonie payroll. Other leading so-called Christian rightists, from Gary Bauer, to Tim and Beverley LaHaye, to Pat Robertson, and America's own "Cocaine Colonel" Oliver North, have all grovelled for Moonie cash.

Yet, despite this long-standing association with the most rabid radical rightists in America, Moon has also succeeded, recently, in spreading his dirty money all over the African-American and Muslim-American communities. In 2001, Moon did a 52-city tour of the United States, during which he was hosted, at every stop along the way, by leading African-American clerics, who were, in many cases, bought off by gold watches, manufactured at factories owned by Reverend Moon. Moon's operators, like Rev. Michael Jenkins, who runs the Moon church in America, have similarly penetrated the Islamic community—always "failing" to inform their unsuspecting targets that Moon is in bed with the same Jerry Falwell, who recently denounced the Prophet Mohammed as "a terrorist," on CBS-TV's "Sixty Minutes" program.

## Full-Scale Cleanup Needed

With the global financial system crashing down, with the U.S. economy already in the throes of a depression collapse worse than that of the 1930s, with the present leadership of both the Democratic and Republican Parties hopelessly corrupted and incompetent, the Moon cult is serving a bankrupt Anglo-American financier oligarchy as a kind of killer virus, spreading corruption and perversion into every level of the religious and political community in America, to stifle any effective organized resistance to the accelerating collapse into a New Dark Age.

Political leadership in a time of grave crisis, like the present, requires men and women possessed of great moral courage—the kind of moral courage that rejects the offerings of a Satanic lunatic like Moon and his right-wing spook controllers. This is why Lyndon LaRouche is willing and ready to ask the hard questions, and to provide the vitally needed solutions to a world facing depression and war. LaRouche is demanding that the U.S. Congress and the Executive Branch launch a full-scale cleanup of this Moonie poison. Join LaRouche in demanding that this dirty-money contamination of some of the nation's most precious institutions be cleaned up before it is too late.

## Latest from LaRouche

### LaRouche to Stockholm EIR Seminar: Securing the Future for the Next Generation

*Lyndon LaRouche addressed an EIR seminar in Stockholm, via video-teleconference, on Nov. 12. The entire 90-minute discussion is posted at [www.larouchepub.com](http://www.larouchepub.com).*

Excerpts:

As you probably know by now, the present world financial system is not in a depression, it's in a systemic collapse, from which there will be no recovery, that is, no recovery of the present financial and monetary system. We have people of limited mental capacity in the Presidency of the United States—some less than limited—and we have a great problem. But, in a sense I'm optimistic, because the world has no choice, except either to go to Hell, or to make the kind of radical change in the present monetary, financial, and economic policies which I have proposed. There is no choice. You'll find, even in the Bush Administration, more and more *post*-election emphasis upon economic stimulus. Now, I don't think that a Bushie knows what a economic stimulus is, but nonetheless, this is the thing. Therefore, what we've proposed in terms of infrastructure, as an infrastructure stimulus, to the U.S. and world economy, is there.

Look at the Asia side of the thing, and you have to look from Europe, particularly toward Asia, particularly toward events which figure in the context of the Phnom Penh conference, involving China, the Southeast Asian nations, Korea, Japan, and India. What is in process now is an implementation of what we called the Eurasian Land-Bridge. It is being stimulated from Russia and China, with the support of India, as a strategic triangle effort, which combines the agreements among Southeast Asia, China, and so forth, in a perspective of a global system, essentially, a Eurasian system.

Now, this dovetails nicely with what we're proposing, and there is no other solution. We have to have a perspective for the next 25 years, and we must think in terms of a 25-year period—of a generation. It took a generation and a half to get us into this present economic mess, and it's going to take a generation to build our way out of it. This means we need 25-year credit, at 1-2% simple interest, as a general global policy. This credit must be channelled primarily through a system of banks, which is in bankruptcy reorganization. This means an end, essentially, to the so-called central banking systems of the world, which have been the pestilence of Europe all through modern times—away from this liberal, Anglo-Dutch model of imperial maritime power, run in the interests of financial-oligarchial circles.

## Back to the Sovereign Nation

We're going to have to go back to what the American System defined as a sovereign nation, in which everything, including the banking system, is under the control and direction of a government whose mission is to defend the interest of the general welfare. Under these conditions, in which governments take the banking system over, individually and collectively, set up a new international financial system, based on promoting global, large-scale, basic economic infrastructure and pushing through what we would call the science-driver programs of investment in improved technologies, at 1-2% basic interest, channelled through banks which are largely under financial reorganization, that is, in bankruptcy, in which the governments will be, essentially, national banks. You can have a national bank in two forms: as a constituted national bank; or simply, as Roosevelt did, to some degree, use the authority of the Federal government to make the Federal Presidency *itself* the equivalent of a national bank, which *controls* the Federal Reserve System, or controls anything that pretends to be a central banking system.

Something like that will emerge in Europe *if* Europe survives, or if Europe is to survive. The time is short; the end of the existing system is now. We're talking about weeks, at most, a couple of months, before the banking system centered in New York disintegrates. We're talking about a collapse of the housing bubble, internationally, especially in the United States and the United Kingdom, and similar effects in Europe. We're talking about a continental Europe, in particular, which is operating below breakeven, that is, the total amount of product in production of Europe is not sufficient to maintain the present population of Europe. Therefore, an expansion of employment to increase the tax-revenue base, is necessary to save these nations. This means large-scale infrastructure projects, largely, because we have an unskilled population. We have people today who don't even know what a factory is. They think it's a museum, at most, or a dustbin. So, we have people who are not skilled to produce. They've lost their skills over 35 years.

And remember the story in Sweden—how that happened in the 1970s, how what was once a powerful industrial economy was turned into a museum-piece of doubtful economic merit. We're going to have to reverse that trend of the past 35 years, largely with infrastructure development, in cooperation with Asia, and with a heavy emphasis on putting credit for high technology, agroindustrial growth, through bankrupt banks, into likely places of investment. With 25 years of that kind of program, we can come out of this alive, after a generation.

But the one thing I'm emphasizing with the youth movement is this: The characteristic moral defect of the Baby Boomer generation, that those who came into immaturity during the 1960s—into adolescence, and subsequent worse immaturity—this generation was weaned on the idea of an income society, a consumer society, a post-industrial society, as opposed to a productive society. They don't know what production is, and if you tell them about it, they hate you. They don't want to produce. They don't have an income; they have a credit-card debt! They are credit-card-debt holders. They don't care what they're getting as an income. All they care, is, do they have the margin of income to cover the debt service, to take a house they can not afford, but carry it on debt service, going more and more into debt.

Look at U.S. figures: The U.S. population, especially the Baby Boomer generation, those who came to immaturity during the 1960s—they are *clinically insane*! I have to deal with them. We have, in Europe, we have people, similarly, of the same generation, who are clinically insane. *They do not believe in producing*. They believe in credit-card debt! "If we can carry more credit-card debt, *we can live better*. We can survive, we can avoid bankruptcy, if only somebody will give us more credit, bigger debt, at 21-25% net interest, everything will be just fine.

Well, now that financial system is collapsing.

So, the other aspect of this, is that parents of that generation, by and large, do not really care about their children. They like to *possess* them, but they're considered nuisances to manage and to own. That unlike previous generations, in which people used to think, well, I'm going to become a grandparent, and my future and what I'm doing now, will be reflected, in part, in the success of my children as adults. And the success of all of us will depend upon what becomes of our grandchildren. That form of moral orientation of a producer society has been largely lost with the Baby Boomer generation. They're absolutely antagonistic to their own children, who are now in the, say, 18-25-year bracket. They're *antagonistic*. They say, "Get 'em out of the way. They cost too much. We don't want to bother with them." And I, on the contrary say, "Idiots! Those are our future." Not those children, as such, but what those children will produce with their children.

So it is us, the old fogeys—it is our grandchildren who are the basis of our hope, our hope for the future. And our orientation must be to get these dumb Baby Boomers to face the harsh realities of their delusions, and to start to rebuild this economy, where the goal is to make sure that when our grandchildren, or that generation, comes into adulthood, they will find a world which is fit to live in.

Thank you.

## LaRouche's Influence at an All-Time High

*Question:* The type of change I think you're talking about is pretty radical, nothing short of a revolution.... And it seems to me that you're getting more response from the international system, i.e., the Italian Parliament. What else do you plan to do? Do you plan to use the international pressure on the U.S.?

*LaRouche:* Well, contrary to some rumors, even circulating among us in Germany and elsewhere, my influence inside the United States on the political process, is at an all-time high. This has been marked, or underscored, by the catastrophic defeat of the leadership of the Democratic Party, the fascist part of the Democratic Party, the Democratic Leadership Council, in the last election. Lieberman can not be reached; he does not talk to reporters. MacAuliffe, the chairman of the

Democratic Party, is being hounded out of his position because of the failure. All those Democrats who went explicitly against the direction I proposed have been defeated, at least all the prominent ones. All the Democrats who lost, except one—that was a special case—but, of five, who lost their seats in the House of Representatives, all were on the wrong track; they were on the Lieberman track. And they were rejected massively by the voters. But these Democrats lost more heavily than other Democrats around the nation, because the population *hated* them, and would turn out to vote *against* them, where they wouldn't turn out to vote *for* other Democrats.

The reality is that, in the lower 80% of family-income brackets in the United States, and increasingly, in the lower half of the upper 20% of family-income brackets, reality has struck. Just take the lower half of the upper 20%—people have lost from hundreds of thousands to millions of dollars of their pensions and savings in recent *months*, in the United States. If you look at the total figures, that's the picture.

If you look at what's going on in the White House, contrary to some European views which are illusory, the result of the Nov. 5 election was not that Bush was given greater support—*he was not*. This was no victory for Bush. It was a defeat for the right-wing leadership of the Democratic Party, which has no policy. The Bush White House is going through a phase-shift. It wants to get rid of the Iraq war. It can't *say* it wants to get rid of the Iraq war, but it wishes to. Because the Iraq war is a *bummer from start to end*, and everybody knows it except idiots, like Laurent Murawiec—they all know it. There's a powerful faction, centered in organized crime, and allied to the Moonie cult, which is the extreme, right-wing, fascist cult inside the United States and worldwide. If you want to find a fascist, look for a Moonie. That's why Earthlings are fighting against invaders from the Moon. We're defending our planet from these invaders—the Moonies.

But look at the so-called Zionist Lobby, for example. What is considered the right-wing Zionist Lobby is funded largely by the drug money from the Moonies, and similar kinds of things. So therefore, when you assess the White House, you have to look, first of all, at the notorious limitations, mental limitations, of the President. But you also have to look at the Presidency, not just the President. You see, in Europe, the problem is this: The Europeans think that the United States is, or should be, a parliamentary system of the type that Europe knows. The virtue of the United States, as a constitutional state, is that it does not have a parliamentary system. The parliamentary system is designed on the basis of Venice. When Venice was losing its power as a state, to run Europe, during the latter part of the 17th Century, after the Treaty of Westphalia, Venice's power shifted to emphasize its diplomatic and financier influence, as typified by the Enlightenment, which is completely a creation of Venice....

So, this group, based on William of Orange, as the tyrant of the Netherlands, and then, the tyrant of England, established a neo-Venetian, imperial-maritime form, of oligarchical, financier-oligarchical power. So therefore, governments were created, the so-called Anglo-Dutch liberal model, which Sweden was exposed to, as some of you may know. This Anglo-Dutch liberal model was based on a monarchical system, or a parliamentary system, which was devised as a reform of parliamentary systems under monarchies. This monarchical system and parliamentary system were associated with a parallel government which is called a central banking system: the central banking system, as a system of bankers independent of control by the government, or independent of efficient control by the government, represented a financier oligarchy. So, the financier oligarchy, through the powers granted to it by governments, in recognizing the so-called independence of central banking systems, actually control the world economy.

The problems of Europe, internal problems of Europe, and Europe as a whole, have been a result of the supercession of an even worse system, the Hapsburg system, by this Anglo-Dutch model of liberalism: the so-called imperial maritime power, controlled through a central banking system by a financier oligarchy. That's the problem.

In the United States, we have the same phenomenon, but it's not in our Constitution. We have a faction which is called the American Tory faction, so described during 18th Century, and ever since. It's the faction against which Franklin Roosevelt fought. It's the New York bankers and their large law firms; it's the Washington bankers and their large law firms—not the banks as such, but the financiers behind them. This is the treasonous American Tory faction which gave us the Confederacy

and other such beautiful gifts. This is the faction which created the *system* of consumer society, of American neo-imperialism, which is attempting, at the point of its death, to emerge as supreme in the world today.

So therefore, in the United States today, you have a fundamental *interest* of the United States, and a deeply embedded *history* of the United States, including the record of Kennedy, as well as Roosevelt, earlier. That is coming to the fore. People say consumer society was a failure, rule by the upper 20% of parasites has been a failure, because the upper 20% are largely parasites. And we have to go back to representing the lower 80% as much as anything else. So, this is the mood in the population.

The problem is a lack of leadership. So therefore, we have a problem of sorting out leadership. On the one side, we have the Democratic Party. *I will now move to take over the Democratic Party*, by consent of the voters who voted down hard-core Lieberman supporters, more than anybody else in the last election. Lieberman and Gore lost the election. And so did Mondale. But that's the issue.

## The Power of the Presidency

On the other side, the Presidency: Under our Constitution, the Presidency *is* the Executive Branch of government. Not the Congress—it's not a parliamentary system. The Congress has no constitutional executive powers. Only the Executive Branch does. We have a Supreme Court, which is a majority of animals, not human beings, typified by our shareholder-value fellow. But, in the Presidency of the United States, there's a large apparatus of civil servants and people out of government, but who were formally associated with government, who represent the Presidency. These are the forces without which the President can not act. The President is not capable of running the world as an Emperor, expressing his *will* from the throne. The United States is run by a Presidency, which is a very large establishment, set of institutions, of people *in* government service and *out* of government service. But people *out* of government service who have great influence on people *in* government service. It's in that layer, in the Presidency, on which I have focussed, as well as the people in general. The people's reaction is: "Yes, you're right. But we can't do anything about it. They won't let us do anything about it. What can we do? We're only little people. We can't do anything."

So therefore, the power of the people does not lie in popular will, not in populism. Populists are idiots, turned loose, escaped from institutions. The power of the people lies in their ability to find leadership in government, especially in the Executive Branch in the U.S. system, a leadership which will come forth, and say, "Yes, you are right. These are our problems, and here's what we propose to do about it." Under those conditions, as with Roosevelt, the people, the lower 80% and others, will rally to that kind of leadership from within the Executive Branch.

In terms of the general elections—which is why I've always run for President—it's the only post that can change the system. Running for Congress will not change the system; running for Congress, and trying to build your way up to become Prime Minister or some foolish thing like that, will not solve the problem. You have to move directly to control of the leading role of the Executive Branch of the Presidency. Anyone who does not run for President, or support somebody who's running for President, is not serious about saving the United States. Because the candidate for President is the person *outside* the Presidency who's in the wings, who offers the alternative. The primary constituency for action of the candidate lies within the Presidency and related institutions of the Executive Branch. If you have support from the people, and from these elements of the Presidency, you can change the system of the United States, fundamentally.

Now, that's where I concentrate. I concentrate on that with the Presidencies and similar institutions of other countries, as in South and Central America; in dealing directly with leading circles in Russia, in China, in India, and so forth; Korea, which represents something analogous to that. The view is, if we can provide the world a visible leadership, of the type which is moving in the direction we see now in the Phnom Penh meeting and similar meetings; if we can have a sense of that in Europe as well; and if we can use the crisis to get the United States to accept the kind of rebuilding program which I've

outlined, for which we have support in Europe, as in Italy, and for which we have increasing support *in* the population, but also in those layers of the U.S. population which are associated with the institutions of the Presidency—.

Bush is in a situation where he has no chance—with his present policy, he has no chance. They know it. Bush and his father and others are haunted by the fact that he could be dumped in the same way his father was dumped in 1992, because of the economic crisis. And this is much worse. Bush's attention will be pushed more and more by people around him—not these crazy Murawiecs and similar people like that—will be pushed in the direction of economic-stimulus programs. War is not an economic-stimulus program, especially this kind of nonsense they're proposing now. An economic-stimulus program in the world today, is large-scale infrastructure, and high-technology investment. And the basic thrust will be high technology and infrastructure—*both*.

This means, as I've outlined in this paper, which we've published for *EIR*, on this question of the Super-TVA, that is, a massive program in transportation, integrated transportation; power generation and distribution, as an integrated operation, under state control, or public utility control; water management on a large scale; land reclamation and maintenance of land; promotion of agriculture, not only as farm production, but as a traditional way in which we have largely controlled the environment. If you want to control the large-scale environment of a country, you have to work with the farmers. Because the farmer has a natural byproduct—in modern farming—who takes care of the field, who takes care of the woodlot, who takes care of other things which are not necessarily producing food. Who provides a great deal of the local infrastructure, as well as the food, that the nation requires.

So, this kind of thing. Education, universal health-care systems of the type we used to have before 1973 in the United States. These kinds of things are the primary investments, usually of 25-year duration; that is, you put up credit for 25 years, 1-2% simple interest rate, generated by government, and run through a government-directed banking system, private banking system, to get infrastructure going, and to get private investment going. But it is the infrastructure building, transportation, power, water management, education, and so forth, combined with high technology, which will enable a nation, over a generation, to transform itself from a loser, as it is presently, to what we must make it—*now*.

So that is where I put the focus. And we're in the catbird's seat. We're the only ones, worldwide, who have a view of how the United States could be reformed and integrated with the aspirations that we find expressed now, coming from Asia. So that's where I put the focus.

## Utopian World Government

*Q:* I just wondered, how elastic and strong this enormous bubble on this sick economy has been. It's very difficult to understand, that it has not already crashed yet. Which mechanisms are keeping it, effectively, together? And, is it a risk that we can get a Japanese situation [in the] future, or can we be sure, that the banking system will crash?

*LaRouche:* Yes, it's going to crash. You have to understand the system as a whole. The system is not a collection of sovereign nation-states. There are no truly sovereign nation-states, to speak of, left in Europe, or the Americas. Except the United States, which is not sovereign in its own mind, as you can tell by seeing one of the speeches which is dictated to President Bush by his teleprompter. The teleprompter is the President, not Mr. Bush. And whoever stands before that, and recites that, is under the control of the dictator, "Big Brother."

Out of World War I, the United States emerged immediately as the only world power. And attached to it was a leech on its back, called the United Kingdom. The bloodsucker on its back, which was often controlling its mind. But it had no power. It had only token power given to it by the United States.

So, the intent was, from before the end of World War II, the intent of this circle, in the United States and Britain, was to

establish a permanent world empire, of English-speaking power, oligarchical power. The empire would be a neo-Roman empire, based on the Venetian model, of imperial maritime power, ruled over by a financier oligarchy. The modification was, that, with the development of air power, and nuclear weapons, Bertrand Russell and company (and that's the problem in Sweden: People don't know that Bertrand Russell was the most evil single individual of the 20th Century; he made Adolf Hitler look like a small-time thug, compared to what he did)—their conception, which is Russell's conception, the conception of Russell and Wells, was to set up world government of this form, using nuclear weapons, as weapons so horrible that nations would give up their sovereignty, and submit to world government. By world government, they meant British government, of their type, of their utopian type.

This group became known as the Utopians, and what they came up with, was the idea that you could use, in the post-war period, English-speaking power, using nuclear weapons for land, sea, and air forces, which would represent a capability so horrible, that the world would submit to world government.

But, to do that, they had to have an adversary. You could not have a threat of war, without choosing an adversary. So they reached out and they found one. They called it the Soviet Union.

So the Soviet Union was turned into an adversary. Stalin had no intention of the type that was attributed to him, by Churchill, or Truman—*none*. But, if you threw a bomb in his face, he had a reaction. And if you studied Stalin's history, you'd know how he would react to having a bomb thrown at him. He would not react pleasantly.

So, the Soviet Union became the alternate power, which was used in the Great Game of the post-war period, in order to orchestrate the world into giving up its freedom, for the sake of security, from the threat of combined land-based, sea-based, and air-based nuclear power. That was the Great Game we lived through.

Under these conditions, with the collapse of the Soviet Union in 1989-91, these creeps, these degenerates, conceived the idea that the end of history had been reached, as this famous, or infamous, Francis Fukayama said: the "end of history." And now we were in a post-historical period, of imperial nuclear power, exerted by the English-speaking powers. In this process, you had a development inside the United States itself: a crazy faction, tied to organized crime (you don't say "Zionist," you say "organized crime"—then people know what you're talking about), which said, "We don't need Britain any more. We're going to establish an *American* empire." And these are the nuts who are controlling Cheney, Rumsfeld, and so forth, today. These lunatics, dangerous lunatics, who were determined to set up, destroy all nation-states, to set up a Wells-Russell type of world empire, as a permanent institution on the planet.

The selection of the Arab and Muslim populations for targetting, was done by Bernard Lewis, a British Intelligence agent of high rank, who transferred to the United States, and, from Princeton, became key advisor to two acting Presidents, Kissinger and Brzezinski, who set up this system. And the idea was to use the Islamic population of the world—1.2 to 1.4 billion people—the way the Romans used the Germans and others, in maintaining the Roman Empire, called a "*limes*" policy. You would establish a border area, on the edge of the existing Empire, and you would go out in this area, and send your troops out, in perpetual warfare, to kill these targetted populations, in the *limes* policy, as you chose.

So, a permanent genocide against the Islamic population of the world, is the policy on which the idea of this American Empire is based. That's what we're up against.

## **American Empire: 'Born Too Late'**

Now, thus, when it comes to financial matters, you can not interpret economy today, as the idiots in the universities' economic departments teach, or governments. What they're teaching is absolute nonsense. Economic power is primarily physical power. It's the power to produce. It's the power to control. Physical power. Financial power is a charade. It's a

device, it's a hypnotic device, a magician's trick to fool you into believing that somehow, there are laws of finance, monetary principles, which govern this economy. Crap! *Power* governs. Physical, raw political, physical power is what runs the planet.

When you have a mad dog, like an American utopian mad dog, with the biggest arsenal in the world, threatening to kill everybody, and you want to know how the U.S. economy is kept from collapsing: *Everyone's afraid of not doing what the mad dog tells them.*

But nonetheless, the physical power of the mad dog is disintegrating, and the mad dog can not overcome the laws of the universe, the physical laws of the universe. And the physical laws of the universe, are catching up. The mad dog's power is finished. The American Empire was the greatest mistake in history. It came too late in the game, like the famous American poem, Edward Arlington Robinson, "Miniver Cheevy": "Born too late." The Romans established their empire at the height of Roman power. The Americans are establishing the empire at the *end* of American power, of this system. It won't work.

So, we are now at the point, where the internal features of the U.S. system itself, the entire central banking system of the world, dominated by the United States, is disintegrating. Once that system's disintegration can not be prevented, it is *over*. The end of that phase of history is now. The question is, whether we will survive it or not. The system will not survive; it's finished. The question is, are we going to be able to act in time to survive? The way we'll survive is by changing the system, by using the power of government to change the system.

The opportunity to do so, is already seen in Asia, where Russia, Japan, Korea, China, Southeast Asia, including Malaysia, and India, are moving in concert. There's a spread of a move throughout the Islamic world, to cooperate with this, to find links to this, so that they too could survive, because a lot of them are part of the Islamic world. So we have a movement around the world, which is to survive. We have people around the world who wish to survive. The problems we have in Europe: We have cowards, who don't show the courage that is shown by Chinese, the Russians, some of the Japanese, and the Southeast Asians and so forth.

Therefore, since everybody's afraid of the United States, and since I'm the only qualified leader of the United States, my job is to give Europe courage, to join the fight.

## **No Reason for Iraq War**

*Q:* I had a question submitted by a journalist here, from Palestine.... Today, the news was that the Iraq Parliament rejected the UN Security Council resolution, and they sent it back to the President of Iraq, Saddam Hussein, to take a final decision.... This question is, what will be the outcome of the U.S. policy on Iraq? And what is Israel's role in this policy?

*LaRouche:* This is tricky. It's a very tricky situation.

Now, I'm not surprised by the Iraq Parliament's vote. I don't think we can say that's conclusive. That is indicative; it's not conclusive. The Revolutionary Command is the real power in Iraq. The Parliament is a secondary force.

Obviously, prior to the U.S. Nov. 5 election, a deal was struck, and the deal was struck involving France, Russia, and others. The deal was, okay, you can put nasty language into the resolution, as long as you do not put the automatic feature, of automatic military action, into it. So that was moved down the agenda, under negotiation between Colin Powell, the French, and others.

The danger then became, that if Iraq accepted this package, as proposed, and implemented it, the war would be stopped.

However, if somebody were to provoke a "regime change" effort inside Iraq at this time, then the possibility of Iraq accepting these conditions, would be impossible. Therefore the great danger now, is that somebody tries to play a "regime change" game in Iraq. That the immediate danger.

The intent on the part of, shall we say, the responsible people in the U.S. diplomatic institutions, and military—the predominant view of the professional U.S. military is, "no war." None. There are probably just a few freaks in the military, who would actually want such a war. Everybody else says it's insane, don't start it. Whatever; don't start it. The prevailing view of competent people in Europe, who have some courage, is similar: "We don't want it. Don't do it. It's not necessary. There's no reason to do it. You don't know what you're starting."

Even in Israel, even around Sharon—I don't know about this other kook, Netanyahu, because they play games with each other. Maybe they're sexually involved in some way. But two fat slobs, who should be going on a diet, not making war...

So, in any case, there's a danger. But even in Israel—you have this growth of the peace movement, because of what you might call a Yitzhak Rabin reflex. Remember, Rabin was a military man, of a certain faction. A hard-liner. And he came to the conclusion, on a purely rational military basis, that this is impossible. We must make peace with the Palestinians now, or we will be destroyed by our own actions. That was his policy.

What is happening now, in the shift in the kill ratio of Palestinians to Israelis, in the present operations by the Sharon government, has shown that the doom of Israel is embedded in any continuation of this present policy. And those in Israel who still have a brain, up there above the neck, say, "If the war in Iraq starts, then what will happen in the Middle East is that we too will disappear."

So, that's the environment, in which anyone who's rational, who's not like Murawiec, who just got published in Hamburg press, knows that this is insane, and should not happen.

So, now they've tried to play a great diplomatic game, to extricate themselves from an immediate operation against Iraq. It's a very dangerous game, not based on principle, but based on maneuver. Diplomatic maneuver. Colin Powell is part of the diplomatic maneuver. He's not an African-American; he's an American general. Don't think of him as African-American; he's an American general, who served in Vietnam, and like most people of flag-officer rank in the U.S. today, retired or serving, who were in Vietnam, they all said, "This war in Vietnam was crazy, we must never do it again."

And therefore, they may not be the greatest strategists in the world, as I think Tommy Franks is a case of that, but they know what war is. Particularly the ground generals, of the Army forces or Marines. They know what war is, and they know that this war is a bummer. It's the war that should never be started, that can not be won; it can only lead to Hell. They're against it.

Other leading institutions, and the majority of people in the United States, are against the war. The President is not so much for the war; he's got his own mental problems. He's for his own interests, whatever they might be told to him to be. He's being told by the institutions, that it's not in his interests to have this war. He's told that he has to face the economic issue, which will bring him down, "just like we did to your Daddy." George Bush I went down on the economic issue, essentially. I mean, that's the way it's played. And they're now telling the kiddo, Georgie Dummo Bush, "Well, you could go down like your Daddy did, if you don't pay attention to this economic issue. It's coming down, Mr. Bush. Boy, it's comin' down! I'm telling you, it's comin' down!"

So, Boy George is a little bit upset.

As I warned people, I said, do not look at the election as a continuation of the process leading up to the election. The

election was the time that the President of the United States, got *rid* of the policies which he'd carried into the election. The election was over. Election policies no longer counted. Not election 2002; election 2004 issues counted. And a war is not in the President's interests for the year 2004.

So, what they tried to do is pull a wingding. On the one hand, they said, "Well, we're for this war. This is Saddam Hussein. He's got to be destroyed. But, we'll make a deal. We'll put it in the United Nations, along with the French. We'll make a deal—the French and the Russians. Okay, we'll make a deal. But it can't look like we backed down! So, the agreement we get with the United Nations, will be a United Nations agreement, but it's got to be awfully nasty. It's got to have terrible provocative conditions in it, that Saddam will tend to shoot back at. So, maybe we can have a war. It looks like we're going to war."

But the intent on the part of the United States is not to go to war. That's the current intent. The election is *over*. The intent to go to war is *over*. But, there's a risk.

What then happens when you make that kind of a rotten deal, with that kind of political impetus in the system? You pressure Iraq, and Saddam Hussein doesn't go along. Then you're back into what you thought you negotiated your way out of with a rotten deal.

Therefore, my chief concern, and the concern of responsible people in leadership of the Democratic Party and Republican Party in the United States—I'm not speaking as an outside critic, I'm speaking as an *insider*—is, the danger is, that if Saddam reacts the way he's being programmed by the war hawks, and decides not to accept the deal, that will be used to unleash the dogs of war.

Therefore, those who are going for regime change, who are pushing regime change measures in the Middle East, are the most dangerous element loose in the situation today. That's what the danger is.

## War by Miscalculation

But the problem is here, instead of getting out of the war by stating as a matter of principle, we shouldn't go to war, by saying that the propaganda coming out of the war hawks in the United States is a bunch of lies, and getting out *honestly*, they made a typically dishonest—which is what typical diplomacy is; it's thievery and lying, under other colors—by going to a thieving, lying deal, they set the stage of opportunity for the war to go on, and happen anyway.

We have to understand that a deal was cut, not to have a war. But the way the deal was cut was rotten and unprincipled. The unprincipled and rotten character of the deal, which was done for political reasons, means that we've left a hair trigger in the situation, under which the war could happen anyway. Even though nobody wanted it. I mean, that's the way wars sometimes happen. Nations go up to the edge of war, and the egos of heads of state, such as kings and emperors, get in the way of reason. And some little incident is then used, to get some idiot, like the German Kaiser, to get buddy-buddy feelings about his buddy, the stupid Austrian Kaiser, to make a resolution, which was then used by the madmen inside Russia, to get the Tsar to launch a general mobilization, and then, the war was on.

So, it was the British playing a game, and the French, playing a game in the Balkans, with the assassination of a prince, and other operations, that was *used* to promote a fascist tendency inside the Russian military, and society, for a war over the Balkans. The stupid German Kaiser, who was a nephew of Edward VII, supported the stupid Austrian Kaiser—who was more stupid than all of them, and senile as well—to go to war. When the German Kaiser, stupid German Kaiser, supported the stupid Austrian Kaiser, the weak-kneed, cowardly Tsar, allowed for the general mobilization.

What set World War I into motion, was the Russians. The Russians caused World War I, from a battle standpoint. The general mobilization ordered by the Tsar is what started World War I. All the conditions were set into place beforehand, by the then-dead King Edward VII of England, for this war. But negotiations were continuing up to that point, to try to avoid what people knew would be a horrible war, called World War I. But because of a last-minute stupidity, by petty, stupid jerks who should never have been in power, a stupid German Kaiser, a more stupid Austrian Kaiser, a more stupid Russian Tsar, an evil French leader, and a corrupt, stupid British government, which was evil as well. Because of this confluence of events, and because of the Woodrow Wilson Presidency in the United States, which was committed to support the British and French in this war, because of this, the unnecessary war occurred.

What my saying this to you, here and now, as I would say it on other occasions, and have said as much on other occasions—in such a situation, you would say, "Don't you wish that someone, back in 1914, in the late spring and summer of 1914, had said exactly about that situation, what I just said to you *now* about the Iraq situation?" If someone had said, "We've got a pack of fools on our hands, people who are not fit to govern, called a King of England, a French government, a German Kaiser, an Austrian Kaiser, and a Tsar, and none of them are really fit to govern! They want to take us into a war, which nobody will want, which is unnecessary, and is going to occur, only because these guys are a pack of idiots, where one of the fools is a greater fool than the other."

I think the only thing today, is to *say* that, and to say it loud and clear. We are governed by a pack of fools, who are not fit to work, to carry the garbage out. We'd better get ourselves some better leadership, or at least intimidate the ones we have, into ceasing behaving like fools.

We have some good stuff, some good initiatives, from various parts of Europe, and elsewhere, for peace, or war avoidance. But it's not good enough. They're not tough enough. these guys have to learn to be as tough as I am, and then we won't have a war.

## **U.S. ECONOMIC/FINANCIAL NEWS**

### **'Great Shock' Coming to U.S. Economy, Says European Economist**

"The world economy is caught in a general profit and investment depression," a leading continental European economist told *EIR* Nov. 13, and the "single hope" by investors, that the Fed's rate cuts will rescue the economy and the stock markets worldwide, will soon be destroyed by the "great shock" of "renewed drastic weakness of the U.S. economy." A slumping dollar will then turn the shock "into a nightmare."

The principal point to note concerning the U.S. economy and the Fed policy, said the source, is that we are not dealing with any kind of cyclical downturn. "For the first time in the whole postwar period, the U.S. economy has slumped against a backdrop of the most aggressive rate cuts by the Federal Reserve and the most rampant money and credit growth ever. Implicitly, the forces depressing the U.S. economy this time are radically different from those that fuelled past recessions."

While Washington and Wall Street are persistently claiming that the economy's "fundamentals have never been sounder," the fact is that the U.S. economy, in the past several years, went through a dramatic macro-economic "restructuring" which has produced "a plethora of unsustainable structural maladjustments, imbalances, distortions, or dislocations." Among these "restructurings" are the "unprecedented consumer borrowing and spending binge that sent personal consumption to its highest level ever as a share of GDP," the "sharply lower personal savings," the "sharply lower net business investments," and the "exploding trade deficit."

Accompanying these developments was "exploding money and credit growth." Broad money M3 went up \$500 billion

during the first half of the decade, but then shot up by five times that amount—\$2.5 trillion—during the second half.

In view of all these giant imbalances and distortions, the "new catchword in the discussion"—that is, "deflation"—actually "tends to distract from the true causes." There is the "intrinsic" notion in the "deflation" debate, that all our economic problems could be solved if only the central banks would offer sufficient liquidity, worldwide. There is, as an example, an "American consensus" that "Japan owes its economic misery simply to insufficient monetary easing," in spite of the fact that "Japan has already had near-zero interest rates for years."

### **Greenspan: No Limit to Liquidity Pumping**

In testimony to the Joint Economic Committee of Congress Nov. 13, the increasingly out-of-touch Federal Reserve chairman Alan Greenspan said the interest-rate cut should help get the economy through a "soft patch" that is not something which is the precursor of far more significant weakening." He then admitted that the rate cut was considered by the Federal Reserve as the right policy even if the U.S. is not going through a short-term soft patch, but something worse.

The economy is not close to a "deflationary cliff," Greenspan babbled (indicating that the so-called "soft patch" might be in his head), but, if we get to that point, and the Federal funds rate has been lowered to 0%, the Federal Reserve could still increase the liquidity of the system by purchasing long-term Treasury securities and increasing the maturity of Treasuries. "There's virtually no meaningful limit to what we could inject into the system, were that necessary," he claimed. Weimar, anyone?

### **Current Account Deficit May Be Problem, Greenspan Finally Admits**

Under questioning, following his testimony to the Congressional Joint Economic Committee, Fed chairman Alan Greenspan for the first time admitted Nov. 14, that the swelling U.S. current account deficit could be a problem. In reality, America's inability to finance its deficit could rupture the entire world financial system.

During Congressional testimony over the last several years, Greenspan has denied the U.S. current account deficit was a cause for concern. For example, during questioning on July 17, Greenspan asserted to Congress that "the current account deficit [is] not, in and of itself, a measure of anything bad, because what that means is that that much money is coming into the United States on the part of those who want to invest here."

Now, four months later, Greenspan told the Congress that the current account "cannot go on." He continued, "as our current account deficit continues [to grow], the net debt to foreigners [who finance the deficit] of necessity rises, that the servicing costs of that debt rises"; this "becomes ... ultimately unsustainable." Greenspan stated that "when the dollar was strengthening," this attracted more foreign capital into the U.S., which facilitated "an ever-increasing capability of importing goods." Now, "it's a type of situation that we know cannot exist indefinitely." Greenspan expresses his hope that "it will eventually simmer down because our propensity to import will continue to decline.... But I have been wrong on this for years."

### **Business Roundtable Says Fundamentals *Not* Sound**

Contrary to the fairy tales issued by Treasury Secretary Paul O'Neill, and endorsed by the White House, the "economic recovery has not been strong or sustained [and] CEOs do not expect the situation to improve significantly in 2003," said John Dillon, chairman of the Business Roundtable, which represents the 200 largest U.S. corporations.

According to the group's survey of 150 chief executives, released Nov. 12, some 60% expect to cut jobs next year, and 80%

are planning no increase in investment for plant and equipment, with nearly 25% planning to reduce capital spending. The economy's weakness "has nothing to do with mood, or lack of confidence," Dillon said, countering O'Neill's claim. "It's about the fundamentals of orders, operating rates, profitability, and cash flow."

### **Auto Industry Pensions Threatened by Stock Market Blowout**

Pension funds at 22 U.S. automakers and suppliers will likely be underfunded by \$30 billion by the end of the year, due to the stock-market collapse, according to a study by Fitch Ratings, *AP* reported Nov. 14. The shortfall, more than twice the level of underfunding the companies faced at the end of 2001 (\$13 billion), would have to be plugged with money used for product development and investment in plant and equipment—and draining profits.

General Motors, the largest automaker, expects to put \$12-17 billion into its pension fund over the next five years. Ford said it will inject \$1 billion over the next two years into its pension plans, which are expected to be underfunded by \$6.2 billion by the end of the year.

### **Fourth-Quarter Growth Forecast a Feeble 1.1%**

A new survey predicts a puny 1.1% fourth-quarter growth of consumer spending, indicating that, once again, Lyndon LaRouche was right—this time by insisting that economic reality would strike immediately after the Nov. 5 elections.

The Blue Chip Economic Indicators survey released Nov. 11, finds that 55 economists expect the weakest growth in consumer spending in nine years, when it was 0.8% in the first quarter of 1993. Two months earlier these same economists were still predicting a fourth-quarter growth rate of at least twice this size.

But reality intervened as consumers, millions of whom have been laid off or face layoffs, cut back on purchases of cars, trucks, and even clothing. What's more, a *Bloomberg News* survey of economists expects that the Nov. 14 Commerce Department's figures for retail sales will show a 0.2% fall for October, after a 1.2% fall in September. Not since October-November 2000 have retail sales fallen two straight months in a row. Already May Department stores, owners of Lord & Taylor and Filene's Basement, said its sales were 4.1% lower this August to November, than the same period last year.

One economist spins this as merely "a pause in the recovery," while Bear Stearns & Co.'s chief market economist derided the consumer spending slowdown news as insignificant, since a "true demise" of consumer spending would have to be coupled with "a real turning down in the job market." Even though the jobless rate increased to 5.7%, it hasn't hit the eight-year high of 6% it was in April.

### **Wall Street Hit Hard by Layoffs; More Coming**

Morgan Stanley & Co. will sack 20% of its global investment-banking staff, amounting to 250 layoffs, according to the *New York Post* Nov. 13, which recapped the wave of brokerage layoffs underway. In August, Morgan laid off 150 bankers. "Morgan Stanley's head count fell 9.3% to 57,799 employees globally at the end of August, from 63,708 at the end of February 2001." Merrill Lynch will be letting go 250-300 in the next few weeks. Wall Street brokerage firms have already cut 65,400 jobs, about 8.4% of their staff, according to the Bureau of Labor Statistics. Lehman Bros. and Bear Stearns Co. are rumored to be planning more cuts before bonus season.

## **THE DERIVATIVES DEBACLE**

Reflecting *EIR's* analysis of the implications of the derivatives bubble, *Washington Post* economics writer David Ignatius

penned a commentary Nov. 15 titled "Bush and the Credit Bubble." He began by asking: "What's the chance that credit markets could suffer the kind of bubble-bursting collapse that has afflicted stock markets around the world over the past two years?"

Ignatius advises Bush to appoint as chairman of the Securities and Exchange Commission, someone of the stature of former Treasury Secretary Robert Rubin—who "often complained privately about the danger of a cascading failure in the derivatives market that could take down the rest of the financial system"—or former SEC chairman Arthur Levitt.

"There's far more weakness in credit markets than most policymakers recognize," he warns, adding that there are "severe weaknesses in the banking sectors of other key countries," namely, Japan, China, and Germany.

"The scariest numbers involve those exotic financial instruments known as 'credit derivatives,' which have exploded in volume over the past several years," he writes. Their value has grown from just \$50 billion in December 1998 to an estimated \$2.4 trillion in December 2002—dwarfing the dot.com bubble.

"It's a big, unregulated circus, and sensible analysts have been scared about the derivatives market for years."

But, he concludes, "despite all this high-level worry, Washington has done little to address the problem."

### All Forms of Derivatives Show Explosive Growth

*EIR* has put together the following sketch of the dramatic increase in derivatives trading over the past year:

**\*Over-the-Counter Derivatives:** The amount of OTC derivatives outstanding increased 15% to \$128 trillion during the first six months of 2002, largely driven by an increase in interest-rate contracts, the BIS reported Nov. 8. When combined with the \$24 trillion in exchange-traded derivatives, the global derivatives total was \$151.6 trillion at mid-year, the highest figure ever reported by the BIS. The BIS figures are "adjusted for double-counting. Notional amounts have been adjusted by halving positions vis-à-vis other reporting dealers," report noted.

**\*Credit Derivatives:** Growth "dramatically surpassed" expectation, said the British Bankers Association. At the end of 2001, the global market for credit derivatives was \$1,189 billion, and the market is expected to grow to \$1,952 billion in 2002 and reach a "staggering \$4.8 trillion by 2004," according to the group's 2001/2002 credit derivatives report. By comparison, credit derivatives outstanding stood at \$180 billion in 1997, \$350 billion in 1998, \$586 billion in 1999, and \$893 billion in 2000.

"In a year fraught with major bankruptcies such as Enron, Swissair and Argentina's failure to pay—the largest sovereign default ever—credit derivatives have proven their effectiveness in buffering major shocks to the global financial system," the report said.

**\*Exchange-Traded Derivatives:** Volume was up 40% in the first nine months of 2002, and is headed for a record year, the Futures Industry Association forecast Nov. 6. The total turnover in futures, options on futures, and options on securities was 4.32 billion contracts for the first nine months of 2002, a 40% increase over the volume for the same period last year, as the futures exchanges head for another record year, according to FIA. A record 3.2 billion contracts were traded in 2001, which itself was a 57% increase over 2000.

Leading the increase was the Korea Stock Exchange, home of the world's most active exchange-traded derivative, the option on the Kospi 200 stock index. More than 1.25 billion Kospi 200 options changed hands in the first nine months of

2002, accounting for 63% of the global increase in exchange-traded derivatives activity. The KSE was the leading derivatives exchange in 2001, thanks to a 300% increase in trading which boosted it from fourth in 2000.

**Equity Derivatives:** Surveyed for the first time this year, totalled \$2.3 trillion for the first six months. The notional amount of interest-rate and currency derivatives rose 19% in the first half of 2001, to \$82.7 trillion, and credit derivatives grew 44% to \$1.6 trillion, according to the International Swaps and Derivatives Association's mid-year survey.

"All swaps in the Survey grew significantly in the first half of 2002, but the growth in credit derivatives exceeded all expectations," said ISDA Chairman Keith Bailey.

### **Fed Reports Record Levels of Home Mortgage Refinancing**

The Federal Reserve Board, in its "Senior Loan Officer Opinion Survey on Bank Lending Practices" for October, noted that 2002 has "seen record levels of home mortgage refinancing," and that a large part of that is cash-out-refinancing. "About 70% of banks reported that the typical increase [of the amount the home-owner's new mortgage was greater than his old mortgage] was between 5% and 15% of the original outstanding balance. More than 25% indicated that the typical increase, again as a percentage of the original outstanding balance, was greater than 15%." Thus, 25% of banks experienced, in the case of customers who refinance their mortgages at higher levels, that these home-owners increased the amount they borrowed by at least 15%, and thus used a portion of that to increase consumer spending.

### **WALL STREET POLICE BLOTTER**

\***William Webster**, former CIA and FBI Director, was forced to step down as chairman of the FEC's Accounting Oversight Board, just one week after chairman **Harvey Pitt** resigned. Webster himself is now the subject of an SEC investigation, for his role as head of the audit committee of U.S. Technologies, which is now insolvent and is being investigated for accounting fraud.

\***R.J. Reynolds** has been accused of money-laundering in a lawsuit filed Oct. 31 by the European Union in New York. The lawsuit charges RJR and its subsidiaries with a vast conspiracy: helping Russian organized crime and Columbian drug traffickers launder billions of dollars, and smuggling cigarettes into Iraq, including through the Kurdistan Workers Party (PKK), designated a terrorist group by the U.S. in 1998.

RJR executives, according to the complaint, made it "part of their operating business plan to sell cigarettes to and through criminal organizations and to accept criminal proceeds in payments for cigarettes by secret and surreptitious means."

RJR and its subsidiaries, allegedly set up special operating units to help launder money for criminal groups, using special accounting methods, offshore tax havens and false invoicing.

\***Adelphia's** former vice president for finance, **James Brown**, pleaded guilty to charges he conspired with founder **John Rigas** and two of his sons to defraud the sixth-largest U.S. cable television operator. He is cooperating with Federal prosecutors. Brown admitted, in U.S. District Court in New York, that he conspired to misstate Adelphia's revenue and earnings. He faces up to 30 years in prison, for charges of conspiracy, securities fraud, and bank fraud.

\***Merck**, the world's third-largest drugmaker, is under investigation by the U.S. Department of Justice for its marketing practices.

\***Schering-Plough** has received two additional grand jury subpoenas from the U.S. Attorney's office in Massachusetts, over

whether it improperly inflated the whole sale prices of its drugs, resulting in higher government reimbursement rates.

## **WORLD ECONOMIC NEWS**

### **Credit Suisse Shows Record Third-Quarter Loss**

Credit Suisse, the second-largest Swiss Bank, reported a record \$1.4-billion loss in the third quarter, blamed mainly on low investment income in its insurance business, which lost \$937 million, as well as slumping revenue and credit provisions. The bank had injected \$1.14 billion into its Winterthur insurance company earlier this year.

### **French Prosecutor Recommends MultiMillion-Dollar Fine for Soros**

A French prosecutor recommended a \$2.2-million fine for speculator and dope pusher George Soros, who is on trial for insider trading in connection with a stock purchase in Societe Generale in 1988, before an abortive takeover effort pushed up the stock price. Soros is accused of making \$2.2 million on the deal. Also on trial is Jean-Charles Naouri, former head of the office of France's then-Finance Minister Pierre Beregovoy.

### **Deutsche Telekom To Report Giant Losses for 2002**

Deutsche Telekom this year will have to report staggering losses of 28 billion euros—by far the biggest ever reported by a German corporation, according to the German economic daily *Handelsblatt* Nov. 11, quoting unnamed company sources. Already, in the first three quarters, Deutsche Telekom generated a 5-billion-euro operating loss, which is projected to reach 8 billion euros by the end of the year.

Furthermore, Deutsche Telekom will now have to write off huge investments that had been made during the telecom bubble years, such as the 8-billion-euro third-generation mobile-phone licenses, and the 35-billion-euro takeover of Voicestream in the United States. The value of those assets in the meantime has imploded, to just a small fraction of the transaction price. Combined with such write-offs in the range of 20 billion euros, the full-year loss will probably amount to 28 billion euros. The company was to release its third-quarter figures on Nov. 14.

### **German Life Insurance Companies May Not Have Long To Live**

One-third of German life insurance companies might disappear in the next few years, according to a new study by the U.S. investment bank Goldman Sachs. Already now, says the study, about two dozen of the 118 German life insurance companies are struggling to meet reserve requirements set by law, after a large part of their reserves burned up in global stock markets. Goldman Sachs emphasizes that what contributed to the present drama is the fact that many German life insurance companies entered the stock market very late, that is, they were buying stocks in 1999 and 2000, at incredibly high prices.

Meanwhile, the German news weekly *Der Spiegel* on Nov. 11 previewed a study by the British credit rating agency Fitch, claiming that reserves at 18 German life insurance companies are so low, that these firms will not be able to maintain promised payments to clients over the next 18 months. *Spiegel* lists three such firms: Mannheimer Lebensversicherung, Familienfuersorge, and Oeffentliche Versicherung Braunschweig. Familienfuersorge already had to be taken over recently by HUK Coburg.

The federal association of German insurance companies GDV put out another one of the usual "there is no crisis"

statements. But why then did the GDV establish this summer a federal emergency fund, known as Protector, to bail out life insurance companies that go under?

The Nov. 11 *Financial Times*, reporting on the Goldman Sachs study, sarcastically characterized the disaster among today's financial institutions: It noted that the crisis in the German life-insurance sector might actually be the only chance for many Goldman Sachs investment bankers to keep their jobs, as "the giant mergers & acquisitions departments are essentially without any orders for months." Therefore, a huge wave of emergency takeovers in the German insurance sector offers "a ray of hope" for the troubled investment bankers.

### **Brazil Has Trouble Rolling Over Its Debt**

Brazil had trouble selling dollar-denominated domestic debt paper Nov. 12: Of \$700 million being auctioned, only \$174.8 million were sold. The \$700 million was part of \$1.8 billion which came due on Nov. 14, of which a little more than half has been rolled over. In the Nov. 12 sale, the Central Bank paid interest rates of between 37.4% and 38.25%, higher than last week's rate of 24%.

Added to problems rolling over debt, rising inflation and a weakening of the *real*, fueled speculation that the government may have to raise interest rates. The consumer-price index rose 1.31% in October. The price of wheat flour increased by 15%, while airfares rose 12%. Food prices overall rose 2.8%, the largest increase by category for the month.

### **Brazil Faces Inflation, Currency Depreciation; Lula Under Pressure**

The Brazilian currency, the real, began to decline again over the several days leading up to Nov. 14, when \$1.9 billion in dollar-linked debt and currency insurance came due. While investors were madly selling reals, the Central Bank was selling dollars on Nov. 13, in an attempt to prevent the currency from depreciating further—it fell by 1.3% on Nov. 13. As one currency broker described it, "it's a big dogfight today." On the same day, the Central Bank failed to roll over \$300 million in dollar-linked debt, rejecting all offers at interest rates said to be in the 36% range. The Bank will have to buy back the debt notes it couldn't roll over, about 40% of the \$1.9 billion.

Against this backdrop, Anglo-American media outlets also warn President Lula da Silva that a weaker currency, plus rising inflation, mean he'll have to compromise on his electoral promises of raising the minimum wage and combatting hunger and poverty. How Lula responds to social demands and the growth of inflation, will determine whether or not Brazil can avert default, *Bloomberg* warned Nov. 13, ignoring the reality that it will default anyway. Prices are rising rapidly, and the Central Bank has announced it won't meet its 5.5% target for this year's consumer price inflation.

Between July 1 and Nov. 12, the cost of the monthly market basket rose from 156.48 to 192.59 reals, an annualized rate of over 70%. In Goias, a western state, dramatic price increases for eggs, pasta, wheat flour, and soy oil, have sparked street protests. Corporate producers of bakery and food items, have jacked up their prices, to compensate for the high cost of flour, but others, fearing a social backlash, are refraining from increasing prices.

The message to Lula is that he'll have to raise interest rates, which were raised last month from 18% to 21%, in order to keep inflation in check, something he doesn't want to do. *Bloomberg* pointedly recalls that to tame a monthly inflation rate of 40% in 1994, Brazil imposed "spending and monetary controls." There is speculation that a rate increase may be announced next week, when the Central Bank's policy-making committee, Copom, meets. On the futures market Nov. 11, the indicative interest rate for January rose to 23.18%.

## **UNITED STATES NEWS DIGEST**

## **Bush Needs Paul Volcker, Claims *Wall Street Journal***

The Bush Administration should turn to Paul Volcker and the "supply-side" economists to set an economic agenda with "intellectual leadership" (sic), writes former editor-in-chief of the *Wall Street Journal* Robert L. Bartley, in the *Journal's* Nov. 11 issue. In the recent elections, the Democrats never got traction on the stumbling economy or corporate scandals, he writes, because the voters, "no fools they," knew the "Nasdaq broke in March 2000 on Clinton's watch," and likewise the "business misdeeds" were underway under Clinton too.

But now, Bush must get a "steady hand on the economic tiller," as tax cuts in a recession or "trade promotion authority at the expense of steel quotas," can't be considered a Republican agenda. Even a big half-point interest rate cut, he laments, won't "correct the real problems." The Bush economic team of Treasury Secretary Paul O'Neill and White House adviser Larry Lindsey are "too reverential" towards Federal Reserve chairman Alan Greenspan, and so no economic policy direction has materialized, Bartley opines.

Now is Bush's chance to get a grip, he argues. Harvey Pitt is gone at the Securities and Exchange Commission, Greenspan may retire, and O'Neill could decide to leave, so the President should seek the wisdom of "Paul Volcker [whose] sterling reputation is intact." To round out the new team, Bartley insists, "the original Reaganite supply-side economists, in Washington and out, are worth talking to in search of an intellectual spark plug."

## **National Governors' Association Holds Budget-Cutting Brainwashing Seminar**

The NGA held a *closed* three-day seminar for governors-elect at the Four Seasons Hotel in Austin, Texas Nov. 15-17; the agenda was a closely guarded secret, and press were not permitted inside the meetings. However, on Nov. 9, *National Public Radio* interviewed Michigan Governor-elect Jennifer Granholm (D), who made very clear that the purpose of the seminar was to teach the "baby governors ... how to make sure you balance your budgets."

Granholm said that the Michigan state deficit is close to \$1.5 billion, with a state general fund of only \$9 billion. Therefore, she said, "right now" there are meetings going on of "budget SWAT teams," to see how to cut the budget, provide the most important services, without raising taxes.

In the interview, Granholm said that, as she has been telling her fellow Dems, "just because a Democrat is in office, doesn't mean that manna will start to fall from Heaven.... We are going to cut ... and it may be painful for the first couple of years, but we will get this budget in balance." We will be "lean, but not mean," she added.

Granholm then spilled the beans about the New Governors School the NGA runs every two years. This time, she said, the top agenda item is: "How to make sure you balance your budget." The NGA, when contacted, stated, "This is a closed meeting for governors-elect. We therefore do not make public the agenda." A news release states, in boldface: "*All meeting sessions are closed to the media.* Security in and around the hotel will be tight."

What do they have to hide?

## **Long Knives Are Out for Terry McAuliffe**

Terry McAuliffe's days as Democratic national chairman are probably numbered, as more and more Democratic pundits call for the scalp of the man known as the DNC's moneybags, and as a surrogate for former President Bill Clinton, who was his chief promoter as DNC chair.

In a Nov. 9 *Washington Post* column, "It's Time for Some Primary Colors," Colbert I. King called for McAuliffe's ouster and called on blacks to run for President in Democratic primaries to force the party's attention, and bring about a shakeup. King put his finger on the nub of the "two Republican parties" insanity of the Democratic Leadership Council gang.

He recalled how Maynard Jackson, the former Atlanta Mayor, was pilloried when he dared to "reach too high" by running against McAuliffe for the party chairmanship after the 2000 elections. Blacks, it seems to King, are not supposed to seek the chairmanship or the Presidential nomination.

"So," he wrote, "McAuliffe expects to stay right where he is, schmoozing with fat cats, huddling with power brokers, playing the inside game with the next crop of presidential wannabes, and continuing to hone his strategy of winning over suburban voters while maintaining the affection of environmentalists, abortion rights advocates and gun foes. And if Democratic politics run true to form, two years from now—after the labor-dominated primaries winnow the current field of singularly unexceptional presidential candidates to a Democratic ticket bearing a vanilla message for independent and swing voters—McAuliffe and top party leaders will turn their attention back to urban America. Its legions of preachers, pols, and party loyalists will be exhorted to get out the African American vote in time for November 2004."

King denounced the black political leadership in equally strong terms: "The continued passivity of black Democrats in the face of such disrespect is an offense to the memory of ancestors who arrived on these shores in bondage and through sheer grit and determination survived slavery and went on to make it possible for future generations to reach the top in business, education, the military, law and science." He called on the leaders of the Congressional Black Caucus and other African American political activists to revolt, to run in the primary elections for President, based on a serious platform, addressing the needs of urban constituents.

He added, "And please don't hand me that stuff about African Americans not being qualified to run for the big one. For goodness sake, look at who's running now. John Edwards, a North Carolina newcomer to the Senate whose claim to fame is that he made loads of money as a trial lawyer. John Kerry, a Massachusetts Senator and decorated veteran with a Dudley Do-Right persona... The days of playing supplicant are over. It's time for self-respecting black Democrats to get it on with their party—or look for another home."

In the same vein, former Atlanta Mayor Maynard Jackson, who ran against McAuliffe for the party chairmanship, wrote a bristling letter to the DNC chair, demanding the Democratic Party correct course.

In the Nov. 13 letter, Jackson told McAuliffe, "Last week, you returned my call and we discussed the Nov. 5 horror show. While I continued to agree with you that we must 'stay positive,' I asserted that our party and its leadership must accept responsibility for last Tuesday's predicted problems and, as a condition precedent to positive solutions, admit the problems and correct our course immediately....

"We need to meet, analyze what happened last Tuesday and where we are, and plan without delay where we go from here.... A Democratic victory in 2004, including key Southern states, will require that we not waste a minute."

A spokeswoman for a worried McAuliffe, told reporters that the Committee would meet by telephone in the coming weeks, and that Jackson had not indicated that he would challenge McAuliffe for the chairman's post this time around.

## **Budget Cut Disasters Around the Country**

The process of trying to cut government functions fast enough to "adjust" to economic collapse, is creating disaster in localities, big or small:

\*New York City's proposed cuts, intended to bridge its \$6-billion budget gap, would include meals to poor seniors, children's clinics, and much more. Some proposals:

—Close two child health-care centers on Staten Island.

—Cut out some of the 9 million meals served to the elderly at the network of 332 senior centers by the Department of Aging, by shutting down 10 centers, and cutting back on meals at the other locations. (There are 1.3 million seniors in the City, and most live on a fixed income of \$12,000 or less.)

—Hike bus fares from \$3 to \$4, proposed by the Department of Transportation.

—Hike tolls on East River crossings.

—Raise property taxes. Reinstate the commuter tax. Enact an income tax surcharge.

\*Oklahoma state cuts to schools are making it necessary to cover school expenses with "nonpayable warrants." "These [state] cuts are by far the worst in anyone's memory," said Barry Beauchamp, School Superintendent in Lawton, Okla. last month, when it was approved to use "nonpayable warrants" from banks, to pay local school teachers and vendors for the rest of this year.

The warrants are financial arrangements whereby a bank covers the school expenses, and the school later repays the money plus interest. State of Oklahoma general revenue fell 13% below estimates, for July through September, and the state financial officials cut funding for education and other functions. Beauchamp said the impact is worse than the 1980s farm state crisis, when schools had shortfalls. Worse still, there is no end in sight. "I hate to say it, but we're just at the middle of this cycle, and we're far from the end."

### **U.S. Catholic Bishops: 'Difficult To Justify War Against Iraq'**

By a vote of 228-14, the Roman Catholic bishops of the U.S. approved a statement prepared by the International Policy Committee of the U.S. Bishops Conference led by Boston Cardinal Bernard Law. The statement reads in part that the bishops "find it difficult to justify the resort to war against Iraq, lacking clear and adequate evidence of an imminent attack of a grave nature."

The Catholic hierarchy is "deeply concerned" about use of preventive wars "to overthrow threatening regimes or to deal with weapons of mass destruction." The bishops also said a decision to attack Iraq requires "some form of international sanction, preferably by the UN Security Council." In September, the president of the U.S. bishops, Wilton Gregory of Belleville, Ill., delivered a letter to George Bush expressing disagreement with "any preemptive, unilateral use of military force to overthrow the government of Iraq."

### **New Woodward Book Details Faction Fight in Bush Administration over Iraq**

A new book by the *Washington Post's* Bob Woodward, titled *Bush at War*, details the factional brawls inside the Administration over the Afghanistan war, and a possible war on Iraq.

According to the *Washington Post*, which is serializing the book and heavily promoting it, Woodward had a four-hour

interview with President Bush at his Crawford ranch this past August, and had extensive access to National Security documents, and to members of the Bush Cabinet, in writing the book.

Much of what has been reported so far confirmed fully Lyndon LaRouche's own assessment of the intense faction fight inside the Administration, largely pitting Secretary of State Colin Powell against Vice President Dick Cheney and Defense Secretary Donald Rumsfeld. The latter two were the most vocal war-hawks on both the Afghan and Iraqi issues. According to the *Post* summary by Mike Allen, Powell ran a successful effort to establish a personal rapport with President Bush, culminating in a private dinner with Bush in August 2002, after which the President decided to work through the United Nations Security Council on Iraq.

The book also mooted some nasty shenanigans at the White House (key phrases Bush had ordered inserted into his Sept. 12 speech before the UN General Assembly were omitted from the final draft—the section in which he was to announce that he would work through the UN Security Council to secure a new resolution against Iraq—so that he had to ad lib that section, when he saw that it was missing from the teleprompter).

### **Train Buffs: All Aboard For Asian Rail!**

The Nov. 10 edition of the leading paper in Virginia's capital—the *Richmond Times Dispatch* featured nearly a full-page article on plans for high-speed rail in continental Asia, reviewing a lot of material familiar to *EIR* readers, but generally kept out of the American press.

Could it be that the article is linked to the just-concluded Senate campaign by LaRouche Democrat Nancy Spannaus, who ran as an independent against Republican John Warner in the Nov. 5 election? Spannaus's campaign posters featured the map of Eurasian Land-Bridge as developed by 2004 Presidential pre-candidate Lyndon LaRouche, along with a picture of LaRouche.

The *Times Dispatch* reviewed the northern and southern routes of the Eurasian Land-Bridge, including on the southern route, a tunnel under the Bosphorus, which will make the link to Western Europe. It also highlighted implications of the rail connections, emphasizing that the railways cut through former war zones, some of which, like Laos, haven't even a single foot of rail, or Cambodia, which has 267 gaps in its colonial-era railways.

The article reviewed some of the history of the projects, which were proposed in 1960, and then in 1995 Malaysia proposed the 3,344-mile line from Singapore to Kunming, Yunnan Province, China. UN Transportation expert Barry Cable says that "past cooperation has been slow, but now there is more political will and interest," pointing to the recent rail link between the Koreas, and the fact that 24 countries support the projects.

The project is seen as a vehicle to better bind the economies of the region and provide southern China with easier access to the sea and to regional markets. On the northern route, freight now takes only 10 days to Europe instead 25 days by sea.

Interestingly, the article reported that in the last decade emphasis was on road construction in Asia, but UN expert Pierre Chartier reports planners are increasingly aware of "congestion costs" from roads, while rail offers greater safety, lower fuel consumption, and less pollution. Honorio R. Vitasa at the ASEAN Secretariat in Jakarta said the major challenge facing the Singapore-Kunming line, which will take a decade to complete, is attracting the \$2.5 billion in funding, but from 2001-2006, some \$73 billion will be spent on rail in Asia, with China accounting for \$45 billion. The article concluded with the report that both China and South Korea are planning high-speed rail. Korea's link between Seoul and the port of Busan will have trains travelling at 186 mph, and is due to be finished in 2004.

## **IBERO-AMERICAN NEWS DIGEST**

### **Argentine Default Causes Jitters on Wall Street; World Bank Credit Rating Shaky**

Argentina defaulted on an \$805-million payment due the World Bank on Nov. 14—its first default to any multilateral financial body. The Duhalde government had said it would pay, were Argentina to receive funds from the IMF under a new agreement, but the levels of austerity demanded by the IMF for any accord were more than the government could possibly implement, and no accord was reached. The government chose to make an \$80-million interest payment on the amount owed, but said the country's level of reserves prevented payment of the total \$805 million, as that would drive reserves below \$9 billion.

As indicated by the hysteria in the Anglo-American media, threatening that the country will become a "full-fledged international financial pariah," the default will have political and economic repercussions far beyond Argentina. A senior City of London financial expert told *EIR* that "the creditworthiness of the World Bank itself is, for the first time, being publicly called into question. What happens if other borrowers follow Argentina's path? This could call into question the credit rating of the World Bank, which is, at this point, the highest possible, AAA. And this will have knock-on effects, on the IMF directly."

The London *Economist* also warned Nov. 15 that while it would be politically disastrous for the Fund to give more money to Argentina without proper guarantees of reforms being implemented, "letting Argentina go further along the road to full-scale default with the multilateral institutions would not be much better.... [T]he IMF's own financial structure means it cannot afford to see a big borrower halt all repayments—especially when problems in Brazil and Turkey still loom large."

Argentina's total debt due by the end of the year to the IMF, World Bank, and Inter-American Development Bank is \$2.4 billion, and the government no more be will able to pay that amount, than it is to pay anything today.

The *Washington Post* admitted Nov. 15 that financial interests are also worried that Argentina's default increases the danger "that popular sentiment throughout Latin America will turn increasingly against the Fund, its overseers in the U.S. government, and the system of global capitalism that they champion." The *Post* quotes an unnamed policymaker, who fears that Brazil's next President, Lula da Silva, won't be able to "hew to IMF-backed policies if neighboring Argentina rejects them."

### **Argentine Population Backs Government Decision To Default**

There is broad popular support inside Argentina for the government's decision not to pay the World Bank. The Argentine Industrialists Union, trade unions, small- and medium-sized business owners, and other civic organizations fully back the government's action, expressing the view that Argentina would be better off to rely on its own resources and creativity, rather than bend to the Fund. Argentine media have given widespread coverage to statements by Finance Minister Roberto Lavagna that "the IMF doesn't have the political will to make an agreement with Argentina."

Prior to returning to Buenos Aires, Lavagna detailed for reporters how at the last minute, the IMF came up with a host of new demands that he, and the government, could not in good conscience accept. The provinces cannot be asked to impose more austerity, as IMF director Anne Krueger demanded, he said. At a time when Argentine children are dying of starvation (see below), Krueger was demanding that every available penny, from any source—trade balance, fiscal surplus, whatever—go to debt payment. Not believing government projections on tax revenues for next year, Krueger told Lavagna he must gouge further, no matter what the cost. Cabinet chief Alfredo Atanasof said Nov. 14 "Argentina was not going to accept the policy of savage budget adjustments as a strategy for getting over its problems."

## **IMF Kills: Children Starve as Fund Demands More Blood**

Four children died of starvation in the Argentine province of Tucuman, where unemployment is at 50%, and health and sanitation services have collapsed, thanks to the International Monetary Fund's austerity dictates, which are still being demanded as a conditionality for any new agreement. The four children, aged 2 to 4, died from malnutrition-related diseases, *Clarín* reported Nov. 14; their deaths have sparked mutual recriminations between Federal and provincial authorities over who is to blame. But Presidential candidate and Governor of Cordoba Jose Manuel de la Sota made clear who should be held accountable, charging that the "IMF prescriptions brought us to this crisis which kills children.... Today all Argentines should feel shame, and political leaders more so," for their deaths. "The goal of any politician must be to improve people's lives, not [follow] market indicators."

There are currently 260,000 children in Argentina suffering from malnutrition, according to official statistics. Tucuman Province made the national news recently, because so many children were fainting in school from hunger. Juan Masaguer, the head of Tucuman's Provincial Health System, described the miserable conditions in which the families of the hungry children lived, lacking access to any kind of sanitation services, jobs, food, or decent shelter. The children died "over two or three successive days," Masaguer said, in their homes without having received medical attention. Although they were officially diagnosed with polyparasitosis, he said, "We can't ignore the fact that what really killed them was hunger." Doctors at the hospital told *Clarín* that "the hospital is totally overwhelmed. We do all we can, but we have serious limitations in terms of resources.... We're astounded, moreover, by the high degree of malnutrition seen in some cases."

Masaguer told *Clarín*, "It's incredible that we produce food to feed 300 million people; there are only 37 million of us, and people are dying of starvation."

## **Nearly Half of Ibero-Americans Are Officially Poor**

By the end of this year, 44% of the population of Central and South America will be classified as poor, according to a study just released by the United Nations Economic Commission on Latin America and the Caribbean (ECLAC, or CEPAL, as it is known in Spanish). Seven million people have entered the ranks of the poor this year, bringing the number to 221 million. Between 1990 and 2001, the number of poor increased by 10 million, and in 2002, Argentina's extraordinary collapse will account for many of the 7 million newly impoverished. ECLAC director Jose Antonio Ocampo said that "Argentina, whose economic crisis is very severe, weighs heavily in the increased regional poverty." Its economy is expected to decline by 16% this year.

Most dramatic is the fact that of the 7 million new poor, 6 million are classified as "indigent," i.e., they cannot satisfy even minimal food needs. One in five Ibero-Americans does not have enough to eat.

## **Daring Rescue in Colombia of Kidnapped Bishops Council Head**

A daring daylight operation Nov. 15, involving 350 soldiers and police, freed the head of the Latin American Bishops Council and a priest, four days after they were kidnapped by FARC narcoterrorists. Neither Bishop Jorge Enrique Jimenez nor Father Desiderio Orjuela was wounded in the rescue, which took place in a rural area of the Colombian province of Cundinamarca, where the capital city of Bogota is located. Two FARC fighters were killed and one captured in the operation, and Army units are still pursuing others involved.

The successful rescue has remoralized the country, and will strengthen the government. More than 10,000 people, waving Colombian flags and white handkerchiefs, took to the streets in Zipaquirá, where Bishop Jimenez presides, when the rescue was announced. "It was do-able" (*si se pudo*), and "Freedom lives!" were chanted. President Alvaro Uribe Velez

emphasized that the rescue shows that "Colombia is going to defeat terrorism and kidnapping." Lucy de Gecham, wife of Senator Jorge Gecham, who was kidnapped last February and is still being held by the FARC, told the media: "Why are they doing rescues now and not before? What has changed? The government."

Bishop Jimenez praised the heroism of the soldiers who freed him. "God has given me back my life so I can be of service to my country," he said upon his release, and later, speaking to the crowd that had gathered, he urged: "I invite you to support our country and its leaders."

The rescue set back the efforts by capitulationist political forces, including within the Roman Catholic Church, who sought to use the kidnapping to force President Uribe to agree to release jailed FARC members in exchange for some of the FARC's more prominent hostages. Monsigneur Pedro Rubiano, Archbishop of Bogota and President of the Bishops Council, said a humanitarian accord should be sought, "not an exchange. Human life cannot be an object of trade."

### **U.S. Indicts FARC Military Leaders on Drug, Kidnapping Charges**

In a welcome assist to the Colombian war against narcoterrorism, the U.S. Attorney General's office issued indictments Nov. 13 against top military leaders of the FARC, including the FARC's #2, Jorge Briceño Suarez, a.k.a. "Mono Jojoy." The indictments, on kidnapping and drug-trafficking charges, are issued against eight major and minor military commanders of the FARC, and follow U.S. indictments that were unsealed in September and October against several narco-paramilitary leaders of the AUC.

They supersede earlier indictments against FARC leaders issued this past March.

Armed Forces commander General Jorge Enrique Mora responded to the news by saying that, as far as he is concerned, "I hope all these criminals who have done such damage to the country and to Colombians are taken there" (the United States).

Extradition requests for the indicted terrorists are expected to follow in short order, and Colombian President Uribe and Defense Minister Ramirez have already said they would "fully comply with the law" in considering the requests, although Attorney General John Ashcroft's call for the death penalty, should the FARC terrorists be convicted on all counts, will cause political problems in Colombia.

### **Chavista Riots Threaten Caracas Again; Mayor Asks, 'Who Is Arming Them?'**

Violence in Venezuela escalated as oilworkers challenged President Hugo Chavez's "politicization" of the state oil monopoly. Even as Organization of American States head Cesar Gaviria attempted to mediate negotiations between government and opposition figures, Chavez's out-of-control mobs surrounded the Caracas City Hall on Nov. 12, pinning Mayor Alfredo Pena and others inside for several hours until National Guardsmen moved in to disperse them, leading to a bloody clash which left at least one dead and 20 wounded. The Chavistas immediately accused Pena of triggering the violence, although, unlike the Guardsmen, the rioters used real bullets. Pena was later assaulted by Chavistas while visiting some of the wounded at the hospital. In a televised interview, the Mayor asked, "Who is arming these circles? Why doesn't Chavez use the Army to disarm them?"

Later that same day, a grenade was thrown at the home of Caracas Archbishop Ignacio Velasco, another Chavez political opponent, and a tear gas canister was tossed at the office of an opposition newspaper, *Asi es la Noticia*. As tensions rise, all eyes are on the Venezuelan Workers Federation, whose leaders are travelling around the country, building up support for an indefinite general strike to force Chavez's resignation.

PDVSA, the state oil company, is being watched especially closely. White-collar PDVSA workers staged protests earlier this week against what they called Chavez's "politicization" of the company, and demanded the resignation of PDVSA president Ali Rodriguez and another PDVSA official who apparently let the company's video-conference facilities be used by Chavistas organizing pro-Chavez meetings.

## **WESTERN EUROPEAN NEWS DIGEST**

### **LaRouche Co-Thinkers in Europe Hold Day of Action Against War**

On Friday, Nov. 15, Lyndon LaRouche's co-thinkers in Europe held a European-wide day of action, to prevent a war against Iraq, and initiate a true peace policy, with targetted literature distributions outside parliaments and other government offices, and big rallies in urban areas. During the day of action, the following leaflet was distributed everywhere, in Germany, France, Italy, Sweden, and Denmark:

### **Resistance Against Looming War on Iraq - - More Necessary Than Ever!**

#### **We Need a Real Peace Policy!**

**by Helga Zepp LaRouche**

In Europe, one could presently hardly commit a bigger mistake, than to stop mobilizing against the danger of an Iraq war, because there are still major hindrances in the way of the hawk faction in the United States. Of course it is bad that now all members of the UN Security Council have unanimously voted in favor of the new Anglo-American resolution on Iraq, which was certainly influenced by the way the U.S. election results were interpreted internationally. But: This does not mean that there will inevitably be war.

1. Even if the new resolution, on the one hand, contains a number of clauses which are meant as traps for Saddam Hussein, to thus find a "reason for war," the U.S. is, on the other hand, bound into the process of the United Nations, which was the intent of primarily Russia and France, but also of the entire world community, who feared that the U.S. would attack unilaterally.

2. The argument that there were connections between Saddam Hussein and the al-Qaeda network, is implausible and is not believed. This line was given out in order to have a pretext for war, if Saddam were not be caught in the traps of the resolution. The head of the BND [Germany's equivalent to the FBI], August Hanning, stressed that the U.S. was claiming such a connection, but he had no relevant proofs. Russian Defense Minister Ivanov pointed to the intense knowledge of the Russian security services concerning the involvement of many countries in terrorism, but Iraq in this respect could be mentioned the least.

3. The line of some European media, that Bush has gotten a "mandate for war" with the result of the American mid-term elections, is absurd. The Republicans did not win the elections, but rather all those Democrats from the environment of Lieberman and Gore, who, like copies of the Republicans, supported the war, have been defeated. Thus, the real winner of the elections is Lyndon LaRouche, whose authority and credibility has risen massively.

4. The elections in the United States and the artificial election dynamics are over; now, we are concerned with reality again. The massive reservations on the part of many Republicans, and traditionalist military men against the war, will come to the fore again. In the Democratic Party, there will be a broad change of leadership.

5. The global systemic crisis becomes the all-dominating issue. The lowering of interest rates by 50 basis points by the Federal Reserve, only hours after the elections, means an oath of disclosure, and shows the panic of U.S. Federal Reserve chairman Alan Greenspan. In view of the inflation rate, the United States, like Japan, now has a zero-percent interest-rate policy. The financial collapse will further escalate, dramatically, and lead to the further disintegration of the U.S. economy. Maybe the final collapse of the system will be our Christmas present this year!

As in 1932-33, it is the combination of real economic depression and world financial crisis, which underlies the war dynamic. Today, fascism and war are looming again, and it would be most fatal not to make the reasons for this, namely, the financial collapse, the main issue. If we want to prevent a war effectively, we have to change the agenda of world politics!

The first step in the right direction has just been taken, by the heads of states of the ASEAN nations, China, Japan, South Korea, and India, during their summit meeting in Phnom Penh. There, they not only envisioned the expansion of the Trans-Siberian Railroad from Pusan in South Korea via North Korea, China, and Russia, to Europe—i.e., the Eurasian Land-Bridge—as a conscious war avoidance strategy, but they also discussed the necessity of close economic cooperation between Asia and Europe, to overcome the world economic crisis.

Everything must be done to prevent the war against Iraq, because that in turn would mean the immediate danger of a war against Islam, which would then become a real "War of Civilizations," the danger of disintegration of 150 multi-ethnic states around the world, and thus the collapse of the world system of our civilization, as former Russian Prime Minister Primakov rightly warned. But the war danger must not distract our attention away from overcoming, with maximum efforts, the economic crisis, and with it, removing the real reason for war.

**THEREFORE:** Let us put the necessity of a new world financial system—a New Bretton Woods—and the establishment of the Eurasian Land-Bridge on the agenda, everywhere!

It is not yet too late!

### **British Firemen Stage Successful 48-Hour Strike, Threaten More Actions**

All of Britain's 52,000 firemen went on a two-day strike this past week, in protest of the refusal of Tony Blair's government to grant a long-overdue 40% wage increase, and likewise long-overdue modernizations of the firefighting services.

The modernization controversy has also exposed the fact that by comparison, the 19,000 firemen of the Armed Forces, whom Blair has deployed as "strike-breakers," are equipped far worse than the regular firemen: Their equipment, cars, and phone systems are so outdated that even with a maximum mobilization, they can only achieve 50% of what the civilian firemen can do.

Andy Gilchrist, the chairman of the firemen's labor union, threatened three further one-week strikes before Christmas, if the government does not make substantial concessions after this limited two-day strike action. Gilchrist has also rejected Blair's argument that at a time when Britain fears attack by al-Qaeda terrorists, the firemen should be available and not go on strike. If such an attack really occurs, the firemen will be there, Gilchrist said.

The strike has forced industry to reduce hazardous production—for example, in the chemical sector, and at oil refineries—in order to avoid being dependent on the uncertain arrival of Blair's military firemen brigade, if fires break out. Also, 19 stations of the London Underground have been shut down, for the duration of the strike.

## **Europe and Russia: Franco-Russian, German-Russian Talks Held**

Franco-Russian talks were held in Paris last week, at the level of Foreign and Defense Ministers. Russian Cabinet Ministers Igor Ivanov and Sergei Ivanov arrived Nov. 13 and flew back to Moscow late night Nov. 15. The last day of their visit, which featured meetings not only with their ministerial counterparts, but also other leading political figures of France, was concluded with the first official session of the Franco-Russian Council for Strategic Consultations. The Mideast, Persian Gulf, Afghanistan, and the Caucasus were on the agenda, as well as joint projects of military and anti-terror relevance.

Meantime, Russian President Vladimir Putin and German Chancellor Gerhard Schroeder met in Oslo, Norway, Nov. 12. The meeting had originally been planned for Oct. 24 in Berlin, but had to be postponed because of the Moscow theater hostage-taking. The German Chancellor also held talks with the Norwegian government while in Oslo, as did Putin, who travelled there from Brussels, where he had attended the EU meeting.

The German-Russian agenda was much like that of the Franco-Russian lower-level meeting—strategic crisis hotspots like Iraq, the Israeli-Palestinian crisis, Afghanistan, the Caucasus—but it also discussed the planned tripartite German-Russian-Ukrainian gas consortium arrangement that is to secure substantial investments in the Ukrainian gas pipeline grid, and thereby ensure safe gas transfer from Russia to Western Europe. A third agenda item was another visit by Putin to Berlin early next year, in the context of the Russian Culture and Science Year in Germany, in 2003 (for more see RUSSIA NEWS DIGEST).

## **Berlusconi Tells Turkish Leader: 'Italy Is Your Best Friend in the EU'**

Italian Prime Minister Silvio Berlusconi on Nov. 13 received Recep Tayyip Erdogan, the leader of the "Islamist" Party of Justice and Development that just won 85% of the votes in the Turkish elections. Erdogan's visit to Rome was the first in a series that will take him to Greece, Spain, and Belgium.

Berlusconi was very cordial with Erdogan, stating publicly in his welcoming speech that Italy is Turkey's "best friend" in Europe, and that Italy is committed to "do all it can in order to avoid Turkey's being disappointed by the Copenhagen summit" in December.

The summit will discuss the possible entrance of Turkey into the European Union, for which Turkey has long been pressing. Turkey hopes that the summit will actually set the precise date to start the negotiations which will lead to Turkey's inclusion in the EU. In an interview in the daily *Repubblica*, Erdogan said that he expects "Italy's support, so that Turkey can obtain a date to start negotiations to join Europe. We hope that the (European) Union understands the importance of Turkey as a bridge toward Asia, and that therefore they admit us, sending a positive signal to the whole world. I think the pressure Italy will put on the EU will be very effective. If a date is not set in Copenhagen, our people's trust in Europe would be devastated."

In the meantime, the Italian agency *IRNA* reported that German Chancellor Gerhard Schroeder gave his unconditional support to Turkey's rapprochement efforts with the European Union. "Turkey's perspective is Europe," Schroeder is reported as saying to Belgian Prime Minister Guy Verhofstadt. The German Chancellor also stated that everything should be done "to prevent Turkey's slide into Islamic fundamentalism." He urged Turkey to make "crystal clear" that the "reform course" will continue. Turkish President Ahmet Necdet Sezer is scheduled to arrive in Germany on Nov. 27, and there to meet with Schroeder.

According to the London *Economist*, the United States is pressuring the EU hard to admit Turkey, and the pressure is having particular effect in Germany.

The issue of Turkey's inclusion in the EU has become even hotter of late, because of the intervention of Valery Giscard d'Estaing, chairman of the convention on the European Union's future. Giscard declared that Turkey is not a European country, and that it would be "the end" of the EU if Turkey were ever admitted.

## **Russia and Central Asia News Digest**

### **EU and Russia Settle Kaliningrad Dispute**

Meeting in Brussels on Nov. 11, Russian President Vladimir Putin and the European Union (EU) agreed on a special visa procedure that will allow licenses for up to 900,000 trips annually by rail and another 600,000 by car, for Russians who commute, mostly via Lithuania, between the Russian mainland and the Kaliningrad enclave on the Baltic Sea. When Poland and Lithuania join the EU in 2004, Kaliningrad would otherwise be totally isolated, because the EU, which will border Belarus and Russia in the east, keeps a tight visa regime at its borders.

A feasibility study has been commissioned by the EU and Russia, for the project to build a new high-speed rail link from Russia to Kaliningrad, across Lithuania. This is a first step towards realizing such a project, which has been under discussion for some time.

### **Putin and Schroeder Meet in Oslo**

Russian President Vladimir Putin and German Chancellor Gerhard Schroeder met in Oslo on Nov. 12. They endorsed the recent UN Security Council resolution on Iraq as a "good chance for avoiding a war," and Schroeder added that Germany wants to send inspectors with the UN team, to make the mission as efficient as possible.

The two leaders also said at a joint press conference, that Germany and Russia want to cooperate in the economic development of the Kaliningrad enclave, and that cooperation of Russia and Germany in the energy sphere is of "strategic" importance for secured energy supplies on the European continent.

Putin will visit Germany in early February 2003, for the official opening of the Year of Russian Culture (and Science) in Germany, it was announced. A corresponding Year of German Culture in Russia, also with a tribute to historical connections, will be held in 2004. The Putin-Schroeder meeting, held during the Russian President's official visit to Norway, had been planned for Oct. 24 in Berlin, but was postponed due to the mass hostage-taking in Moscow at that time.

### **New Atlantic Initiative Hawks Target Belarus**

The New Atlantic Initiative (NAI), the Thatcher-Buckley-Kissinger new imperium front group housed at the American Enterprise Institute, is flagrantly demanding that Belarus (and, by implication, Russia) be added to the list of "rogue states" targetted for extermination. AEI was the home of the Bush Administration's leading "chickenhawks," for the last decade, including Richard Perle, John Bolton, consultant Michael Ledeen, with frequent participation from Douglas Feith, and James Woolsey.

NAI held an event on Nov. 14 at the appropriately named Albert Wohlstetter Conference Center at AEI, under the title, "Axis of Evil: Belarus—The Missing Link." The keynote speaker was Sen. John McCain (R-Ariz.). Other speakers included Tom Dine, the former head of Israel lobby's AIPAC, who now is president of Radio Free Europe/Radio Liberty; Mark Palmer, the former Ambassador to Hungary and a longtime crony/asset of Kissinger and Soros; and Barbara Haig, vice president of the National Endowment for Democracy. The proceedings were greeted by Michael Kozak, current U.S. Ambassador to Belarus.

The fanaticism was already on display in the invitation: "The world is an unwelcome place for Saddam Hussein's cronies. Yet they are always welcome in Minsk—capital of Belarus.... In a land where the KGB (yes, still the KGB) runs roughshod over rights, no one is safe, and nothing is sacred.... Can the West work together to eliminate this shame of Europe?" The thesis of the conference was that Belarus President Alexander Lukashenka is Europe's last dictator, who consorts with the leadership of the countries President Bush has designated as the "Axis of Evil," including selling air defense weapons that are targeting U.S. and British planes patrolling the no-fly zones in Iraq.

McCain declared that NATO should not tolerate a "black hole of tyranny" in Belarus, and that it is time for the U.S. and its allies to pursue a campaign to "roll back Belarus's dictatorship." He said Russia is largely to blame for Lukashenka's dictatorship, but with what he called Russian President Putin's recent repudiation of Lukashenka, if it proves to be real, "a balance of power for freedom will rise to challenge Lukashenka."

The conference was co-sponsored by the American Enterprise Institute, Freedom House, the National Endowment for Democracy, the International Republican Institute, Radio Free Europe/Radio Liberty, the Patis Family Foundation, and the U.S. embassy in Minsk.

### **Visa Denied for Belarus President**

On Nov. 15, the government of the Czech Republic refused to issue a visa to Belarus President Lukashenka, so that he could attend the Nov. 20-21 NATO summit in Prague. Belarus opposes NATO's planned eastward expansion, but maintains a limited partnership with NATO through the Euro-Atlantic Partnership Council.

The same day, Poul Kristoffersen, permanent representative of current European Union chairman Denmark, said that a decision on a standing ban on issuing visas to the President of Belarus may be taken at upcoming meeting of EU foreign ministers. He said the reason was human rights violations in Belarus, and non-cooperation with OCSE representatives. However, it should be noted that the decision came as Washington's senior hawks were gathered against Belarus at the New Atlantic Initiative.

Belarus recalled its Ambassador in the Czech Republic for consultations. The Russian Foreign Ministry has said nothing. Russia's NTV asserted that "all NATO" stood behind the Czech visa denial to Lukashenka, linking the move to "possible military cooperation with Iraq," among other things. The Czech Foreign Minister, meanwhile, insisted that the decision concerned "Lukashenka personally, not Belarus or its people"—but Lukashenka is the head of state.

### **Ukraine Asks UN To Mediate After U.S.-U.K. Inspections**

Ukrainian Foreign Minister Anatoli Zlenko has appealed to the UN Security Council to take up U.S. allegations about Ukraine's having sold a Kolchuga air defense radar system to Iraq, according to Ukrainian wire service reports. Zlenko disputed U.S. and British complaints, that Ukrainian officials provided insufficient information to investigators from those countries, who demanded and obtained an invitation to visit Kiev on the matter in October. "We should not leave this situation in an ambiguous position," Zlenko said. "We need to appeal to the higher authority also, because Iraqi issues are not only [a matter of] American security and our bilateral relations, but are issues of world peace and security." U.S. State Department spokesman Richard Boucher countered Nov. 6, saying, "If the Ukrainian government had wanted to clarify matters fully, they could have done so with the U.S. and the U.K. team."

Under pressure from the U.S. inspectors, Ukrainian Presidential Administration chief Victor Medvedchuk said Nov. 12 that Ukraine revealed "top-secret information" on the serial numbers and current location of 76 Kolchuga radars, produced

beginning in 1987. According to Medvedchuk, Ukrainian authorities intervened to stop talks between the state-owned arms exporting firm Ukrspetseksport and a prospective purchaser from Jordan.

### **Putin: No Talks with Maskhadov**

Addressing a group of Chechen businessmen and religious leaders in Moscow Nov. 10, Russian President Vladimir Putin said there would be "no second Khasavyurt," referring to the 1996 peace treaty and withdrawal of Russian federal troops from Chechnya. Maskhadov had "opted for terrorism," he said, and was to blame for "bringing Russia and Chechnya to war." At the same time, he called for new political measures in Chechnya, including moves towards a constitutional referendum.

Putin discussed the plans of Wahhabite-Islamic radicals as a threat to the territorial integrity of Russia, saying that they used the slogan of Chechen independence, "to turn Chechnya into a staging ground for international terrorism, and for ambitious plans of attacking fraternal Dagestan, then creating a medieval caliphate from the Black Sea to the Caspian." He added, "When I talk about the unconditional necessity of ensuring the territorial integrity of Russia, I am convinced of the following. If we do not solve the problem of Chechnya today, then tomorrow, just like in 1999, attempts will be made to create this notorious 'caliphate,' ... which is supposed to include not only the entire North Caucasus, but also part of Krasnodar and Stavropol Territories. But that is not all. That will inevitably be followed by attempts to heat up the situation in the multiethnic Volga region of Russia. It is all designed to push the situation in our country in the direction of 'the Yugoslav scenario.' It will not happen."

Putin repeated these formulations in an angry exchange with Western reporters, during his visit to Brussels two days later.

### **SCO Foreign Ministers To Meet in Moscow**

The Foreign Ministers of the members of the Shanghai Cooperation Organization—Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan—are to meet in Moscow Nov. 23 to discuss security issues, especially the fight against terrorism, according to *Itar-Tass*. They will also discuss the political situation in the region, according to the head of the Russian Foreign Ministry Asian Department, Alexander Ivanov. He said that "Some 20 documents are being drawn [up] at the working level" on these issues. Indian Ambassador to Russia Krishnan Raghunath told *Itar-Tass* that India intends to join the SCO.

### **Russia Warns U.S. Not To Break International Law 'Again' in Iraq**

This statement was made by Yuri Fedotov, Russia's Deputy Foreign Minister and its top UN negotiator. Commenting on the UN Security Council resolution on Iraq, Fedotov said: "We expect common sense to prevail. [The resolution] was approved unanimously and was backed by very many countries, including the Arab nations. The document helps to switch the Iraq situation over to a peaceful course and leaves hope for a political-diplomatic settlement of the problem." He stressed that "the resolution does not stipulate any automatic use of force." And in case of any problem with Iraq acceptance of the resolution, "The Security Council will have to meet again."

Russia is ready to send its inspectors to Iraq, he said, adding that the national composition of the commission of inspectors that includes India, Ukraine, Belarus, and some Ibero-American, African, and East European states, "is more balanced than that of the previous one."

Asked about a possible unilateral attack by the U.S., Fedotov said Washington would be breaking international law if it went ahead with strikes without UN approval. He also made a point of saying that the U.S. had already broken international law with the air strikes of December 1998, which he described as "a clear violation of international law." Those bombings,

Fedotov said, "began during a UN debate on the [chief UN inspector Richard] Butler weapons inspections report." After a standoff between the weapons inspectors and Iraqi officials in December 1998, Butler withdrew his inspectors and the U.S. and Britain bombed Iraq. "I hope that in the future they will not violate international law."

For Russia's broad economic initiatives in the Persian Gulf, see this week's Middle East Digest.

### **Primakov Writes Book on Strategic Relations Since 9/11**

Former Russian Prime Minister Yevgeni Primakov has written a forthcoming book called *The World After September 11*, from which he has authorized chapters to be excerpted for pre-publication in *Rossiyskaya Gazeta*, the Russian government newspaper. A chapter called "The U.S. and Iraq—a View from Russia" appeared in *RG* on Oct. 30.

Primakov details what led to the pull-out of UN weapons inspectors from Iraq in 1998, focussing on the provocative role of Richard Butler. He quotes the recent remarks of Rolf Ekkeus, head of the UN inspectors in Iraq during 1991-97, that the U.S., as Primakov puts it, "had been trying to influence the work of UN inspectors and pursued 'definite interests,' including those which did not fall under the mandate of the UN commission in Iraq"—including profiling of Saddam Hussein and his inner circle, for potential future use. Primakov details Butler's cynicism and provocations, recounting his own direct conversations with Butler

Primakov compares that situation with today's: "What decision should have been taken at that time and in a similar situation today? Iraq should have been shown in a categorical way that it would have to agree to the work of the UN inspectors ... and that any actions against them would be unacceptable for the world community.... But parallel with such a tough line, it is necessary to eliminate complete vagueness as regards lifting economic sanctions that hit the people of Iraq in the first place rather than its regime."

In the past few months, writes Primakov, Washington has "resumed psychological preparations for military actions against Iraq. The preparations included also anti-Iraqi statements by U.S. top officials and the frequent 'leaks' to the press of detailed plans of the military operation. This brainwashing went beyond the limits of pressure on the Iraqi leaders. Most likely it was designed to keep the whole world in suspense and make it get used to the idea that a unilateral U.S. decision to attack Iraq was inevitable. But evidently Washington 'overdid' it—in many cases the campaign produced quite opposite results."

He points out, "Many Democrats in the U.S. came out against President George Bush's desire to ignore the UN Security Council, which alone can sanction a strike at Iraq." Earlier in the article, Primakov quotes Sen. Robert Byrd's September 2002 speech, in which he recalled that the Reagan Administration had backed Iraq as a supposed counterweight to Iran. Primakov notes the growing opposition in Europe, to attacking Iraq.

Primakov also situates the U.S. agitation around Iraq, in the context of "the new U.S. military doctrine, in which the emphasis is made on preventive actions against enemies that have been conceived by the U.S. itself." He says, "Such a principle sacrifices international law and the legislation of sovereign states to freely interpreted U.S. security."

## **MIDEAST NEWS DIGEST**

### **Top U.S. Military, Ambassador Warn Against Iraq War**

Joe Wilson, former U.S. deputy chief of mission in Baghdad in August 1990, and one of the last U.S. diplomats to meet Saddam Hussein in person, spoke out strongly against the neo-conservatives and war party pushing war with Iraq.

Reported in the Lebanon *Daily Star* Nov. 11, Wilson said the following about Iraq policy-making: "My own sense is that the President has been pinned in a corner by a small group of neo-conservatives who have long held that if you get rid of Saddam Hussein, you change the equation in the Middle East, without really specifying that the odds were good that you would change it for the better."

Although he supports the idea of regime change, Wilson blasted the "neo-crazies," saying, "On Sept. 12, this whole band of neo-cons, or neo-crazies as some people like to call them, had a very coherent message which they took to the air waves. The thesis of their argument was really very simple. It was: Sept. 11 was a bad event, Saddam Hussein is a bad man, ergo, two bads equal kill Saddam Hussein."

Even more significant is the speech by former Reagan Navy Secretary James Webb at the Naval Postgraduate School, on Nov. 14. Webb, a highly decorated Marine veteran, spoke at the Naval Postgraduate School in Monterey, Calif., declaring that there was no basis for war against Iraq, since Saddam Hussein did not pose a serious threat to the United States. "We should not occupy territory in Iraq," he told the standing-room-only crowd. "Do you really want the United States on the ground in that region for a generation? I don't think Iraq is that much of a threat." Webb also noted, with pride, that, as Reagan's Secretary of the Navy, "I was the only one in the Reagan Administration who opposed the tilt toward Iraq in the war with Iran."

The *San Francisco Chronicle* article covering the Webb address, also quoted Professor John Aquilla, of the Naval Postgraduate faculty, who fully endorsed Webb's remarks. "Iraq is a terrible detour from what we ought to be doing," he said. "The real threat is from the al-Qaeda network. Saddam is a minimal threat to us. He knows that if he uses any of his weapons of mass destruction against us or our allies, we're going to nuke him into glass, but if al-Qaeda uses them, what are we going to retaliate against? Whom do we target?" The postgraduate students at the school, who are midlevel officers, fully supported Webb's assessment, according to Aquilla.

### **Week of Bloodshed, Invasions Precedes Israeli Labor Party Elections**

As the Israeli Labor Party goes into its most intense party election since the November 1995 assassination of Israeli Prime Minister Yitzhak Rabin by Israeli rightwing terrorists, the Sharon government is planning to occupy more Palestinian cities and areas, and conduct a massive retaliation for one of the bloodiest weeks in the 18 months Sharon has been in power.

On Nov. 15, some 12 Israelis soldiers, military police, and security officers from a rightwing Jewish settlement were killed in Hebron in an intense firefight that began with an attack from Palestinian gunmen. Islamic Jihad, the Islamist Palestinian organization, claimed credit. The attack took place near the Tomb of the Patriarchs, a holy place for both Jews and Muslims, and was initially reported by *Ha'aretz* and other Israeli press as an "attack on Jewish settlers who were returning from worship," to the radical Kyrat Arba settlement.

But reports published in the *Washington Post* on Nov. 18, and in Sunday wires around the world, say that no civilians were killed, and Tzvi Katzover, the leader of settlement, said that no worshippers were attacked, and "It was purely a military event."

It must be noted that Kiryat Arba was the home of American-born Israeli terrorist Baruch Goldstein, who killed more than 30 Muslim worshippers at the Tomb of Abraham mosque, in February 1995, and wounded about 200 others. A month ago, *Ha'aretz* reporter Amir Oren published a warning about a potential Jewish assault on the location again, following a terrorist incident.

The Nov. 15 attack by Palestinians was so serious that among those killed was the commander of the Shomron Brigade,

Colonel Dror Weinberg, who had commanded the region in the Occupied Territories for 18 months, and was slated to become the next chief of the elite Israeli paratroopers unit. At least three Palestinians were also killed. Islamic Jihad took responsibility, with its representative Ramadan Shallah stating to Al-Jazeera TV that the attack was in revenge for the assassination of Iyad Sawalha, who was killed on Nov. 9 by the IDF in a targeted assassination.

This latest incident caps one of the bloodiest weeks in the 18 months since Ariel Sharon came to power, a week which began with fanatical statements on the weekend of Nov. 8-9 by Likud Party Foreign Minister Benjamin Netanyahu announcing to a Likud Party meeting, and then on Israeli radio, that if he becomes Prime Minister, winning over rival Sharon in the January 2003 elections (which were called when Sharon's "unity" coalition collapsed,) he will expel Palestinian Authority President Yasser Arafat.

Then, on Nov. 9, the Israeli military killed Islamic Jihad figure Iyad Sawalha in Jenin, who died when Israeli troops attacked his house. Another Palestinian militant was killed in the Tulkarm refugee camp, also in the West Bank.

On Nov. 11, five Israelis, including two pre-school children and their mother, were killed in their homes in the Kibbutz Metzger, on the Israeli side of the "Green Line" projected border between Israel and Palestine. This attack was claimed by the Al Aqsa Brigade, "in revenge" for the Nov. 9 IDF murder of Sawalha. The authenticity of that claim is disputed by the Palestinians, and the Palestinian Authority condemned the attack in a statement: "Harming Israel and Palestinian civilians and turning them into targets of terror attacks is disgraceful."

By Nov. 12, the Israeli military attacked the Tul Karm refugee camp and the city of Nablus, using tanks and armored personnel carriers, allegedly in revenge for Kibbutz Metzger, but the plan was drawn up well in advance, say Israeli insiders. In the revenge operations, the Israelis killed a 9-year-old boy and demolished the house of a Palestinian Tanzim leader. In Gaza City, IDF demolitions operations killed a 2-year-old child.

### **Arafat Warns of Threatened Exile by Israel**

On Nov. 13, Palestinian Authority President Yasser Arafat warned Israel against any attempt to expel him from the West Bank, after a proposed expulsion of Arafat put forward by Benjamin Netanyahu, with the backing of new Defense Minister Shaul Mofaz, was rejected for the second day in a row by the Israeli Cabinet. In the same impromptu press conference outside his Ramallah headquarters, Arafat denounced the IDF invasion of Nablus as "another war crime."

### **Shin Beth Warns of Jewish Terror Cell**

Shin Beth chief Avi Dichter told the Israeli Cabinet of the threat of a wave of terror by radical Jews directed at Palestinians, reported *Ha'aretz* this week. Dichter said the cell numbers between 15 and 20 members, is operating in the West Bank, and has already conducted attacks on Palestinians. Dichter claims the Shin Beth is having a problem dealing with the cell.

Dichter's warning could be linked to an earlier case, reported by *EIW* in July 2002, that ammunition used in the terrorist killing of four Israelis gunned to death in their home in the Adora settlement had come from an Israel Defense Forces gun-running network. The Adora incident bears some similarities to the Kibbutz Metzger tragedy, where two Israeli children and their mother were gunned down.

According to *Ma'ariv*, the operations of the ring were "the tip of the iceberg," but further reports after an initial flurry disappeared from the Israeli press. Another publication, *israeli insider*, an online publication, said that the ring was smuggling weapons, ammunition, and "Palestinians" into Israel from the West Bank, and were able to get past checkpoints because they were dressed in IDF uniforms. In some of the terrorist attacks against Israelis—where the assailants escaped—the attackers were wearing IDF uniforms.

Four soldiers from the settlements of Telem and Adora had been arrested, identified as two sets of brothers: Moshe and Nadav Cohen from Telem, and Roie and Sela Amar from Adora. Also identified have been one Oded Mola'i, and a Rotem Parnas, from Kfar Sava. Strangely enough, reported *Ha'aretz*, Sela Amar had been released by a Jaffa military court on the grounds that he was not in the military service when the crimes were committed. As of July 2002, Sela Amar was "missing," and it was not explained why the military court did not turn him over to the police.

### **Death Toll of New Iraq War Could Reach 3.9 Million**

Medact, an organization composed of health professionals mostly from the U.S. and Britain, presented its report based on an investigation of the outcome of the 1990-91 Gulf War. Medact estimates that "if the conflict is contained, there will be at least a half million deaths." According to the report—"Collateral Damage: The health and environmental costs of war on Iraq"—if the war spiralled out of control into a conflict in which very likely nuclear weapons will be used, the death toll will be 3.9 million. The majority of the casualties will be civilians. The report predicts a possible economic collapse of Iraq, which would lead to famine, epidemics, and a refugee crisis. The damage would not be limited to Iraq, but would affect "the health and well-being of millions more people across the world."

Also to be taken into account is that Iraqis' mental and physical health is far worse than during the 1990-91 Gulf war. Health services already running below capacity in Iraq will not be able to cope with long-term rehabilitation or preventive health care following the end of the conflict.

A spokesman for Medact stated that the worst consequences will take place at the end of the war. "The aftermath of a conventional war could include not only civil war, but famine and epidemics, millions of refugees and displaced persons as well as catastrophic effects on children's health, agriculture, and manufacturing," a similar exodus of refugees to neighboring countries, including Iran, as during the 1990-91 conflict. The majority never returned.

The spokesman estimates that the war would "not be over as quickly as the U.S. would like. [It could] spiral out of control."

### **Israeli Inflation Hits 8%; Another Credit Downgrade Predicted**

Israeli inflation has hit an annual rate of 8%, which is three times higher than the government's official target of 2-3%. The Central Bureau of Statistics announced that the Consumer Price Index rose last month by 0.6%. The CPI has increased 7.7% so far this year alone. This increase is much bigger than all the predictions. Half of the rise is due to the jump in the housing index, which rose 1.6%, because of the devaluation of the currency, the shekel, whereas Israel pegs housing costs to the U.S. dollar. Food prices have also increased, especially on flour and bread.

Meanwhile, in a report submitted to the Knesset (Israel's Parliament), Sylvia Piterman, a former director of the Bank of Israel, wrote that Israel can expect another sovereign credit rating downgrade by as much as several points. She added, "Without substantial change in the diplomatic situation and in its national priorities, Israel's ability to repay debt will diminish. Consequently, Israel's sovereign credit rating will be downgraded, perhaps by several notches. Such a downgrade will bring Israel to the verge of serious financial crisis." She notes that the rating agencies are well aware that the settlements are being financed at the expense of growth to the economy.

### **Russian Diplomacy in Persian Gulf Stresses Economics**

Following extensive talks and negotiations during a visit in early November by a Russian government/industry delegation, on Nov. 6, Russia and the (Persian) Gulf Cooperation Council signed an agreement on the establishment of an energy

dialogue, which appears to focus on the scientific-technological side. The agreement was signed by the Energy Ministers of Russia and the GCC, Igor Yusufov and Abdulrahman al-Atiyyah. The latter also called on Russian firms in the oil and gas sector, to upgrade their presence in the Gulf region.

In addition, the government of Oman has declared it will join the North-South Transport Corridor project, for establishing a direct route for containerized commodities from eastern India to the Baltic Sea and Western Europe, via Iran, the Caspian Sea region, and Russia. The three initiators of the project are Russia, Iran, and India, which signed the deal in St. Petersburg in September 2000. The corridor will combine transport routes by rail, sea, and land. Six other countries have already joined: Kazakhstan, Tajikistan, Armenia, Azerbaijan, Bulgaria, and Belarus.

## Asia News Digest

### China CP Congress: Transition to New 'Fourth Generation' of Leadership

At its 16th National Congress, held during the week ending Nov. 15, the Chinese Communist Party (CCP) has achieved a smooth transition to a new "fourth generation" of leadership, with the older generation, including Party General Secretary Jiang Zemin, officially retiring. As was expected, the CCP elected a new central committee, which in turn elected Vice President Hu Jintao to be the general secretary.

Jiang Zemin and five other leading members of the CP and government bodies were not re-elected to the central committee. This confirms their retirement, and was the expected procedure. Others retiring include National Peoples Congress head Li Peng, Prime Minister Zhu Rongji, Li Ruihuan, head of the Central Committee Politburo Standing Committee (CCPSC,) Wei Jianxing, and Li Lanqing. Since only central committee members can be on the Politburo Standing Committee, "This is the first official confirmation that President Jiang Zemin, 76, is retiring as Party chief," stated *People's Daily*. Hu Jintao was the only member of the current seven-man CCPSC who was re-elected to a new five-year term on the central committee.

Some 180 out of the 356 members and alternate members of the new Central Committee are new. The new members include some leaders of Chinese big enterprises.

The new Central Committee met on the final day of the 16th Congress to elect the new general secretary, political bureau, and political bureau standing committee.

### Amendment to Chinese Constitution Approved on Development

The Chinese CP 16th National Congress approved an amendment to the Chinese Constitution, which adopts the idea of the "Three Represents" into the Constitution.

The "Three Represents" was first proposed by Jiang Zemin in a speech to the CPC in July 2001. It is, in essence, that the Party "must always represent the development trend of China's advanced productive forces, the orientation of China's advanced culture, and the fundamental interests of the overwhelming majority of the people in China."

While touted in the Western press as an adoption of "capitalism," the "Three Represents" encourages an important role for Chinese entrepreneurs in policymaking, an idea which actually goes back to the policies of the CPC in the early 1950s.

### Jiang Zemin Speech Praised for Vision, Truthfulness

Chinese President and Communist Party leader Jiang Zemin made a "very good" speech to the Party Congress, and the general reaction was that he was presenting a truthful picture, not propaganda, noted an observer in Beijing, commenting to *EIR's* European office this week.

It was balanced, depicting what is good in the current situation, but also the challenges China faces. Most important is the fact that real economic development is going on in China's western internal region, including construction of railroads, roads, the Three Gorges Dam, and so on.

Also, said the observer, "and this is very important," the landscape in the interior provinces of Gansu and Shaanxi, is really growing greener. The water shortage and desertification are critical problems in these areas of China, and there is genuine progress towards reversing the situation, he added.

Another important element is that now, in Xinjiang, experts are locating significant underground water resources, which make it really possible to "develop the west," he said. There is very little surface water.

Finally, it is seen among the population, that the basic economic policy orientation is China's "inner needs," and that China will not just rely on trade. This is "very important!"

### **Train Buffs: All Aboard for Asian Rail**

The Sunday, Nov. 10 edition of the leading paper in Virginia's capital—the *Richmond Times Dispatch*—featured nearly a full-page article on plans for high-speed rail in continental Asia, reviewing a lot of material familiar to *EIW* readers, but generally kept out of the American press. Could it be that the article is linked to the just-concluded Senate campaign by LaRouche Democrat Nancy Spannaus, who ran as an independent against Republican John Warner in the Nov. 5 election? Spannaus's campaign posters featured the map of the Eurasian Land-Bridge as developed by 2004 Presidential pre-candidate Lyndon LaRouche, along with a picture of LaRouche. See this week's USA DIGEST for more on this story.

### **Some Asian Circles Want To Block China in Mekong Cooperation**

Thailand's newspaper, *The Nation*, gives a hostile slant to China's participation in the Greater Mekong Sub-Region plans, in an editorial Nov. 13. The paper writes, "A senior Chinese engineer from Yunnan is reported to have said: 'Our ancestors erected the Great Wall, now we are constructing the great dams.'"

The editorial attempts to show devious intentions by the Chinese, saying China is "proudly revealing the ambition behind (the) government's plan to tame the mighty Mekong River." China completed the gigantic Manwan, the first of eight hydropower dams, in 1996, while the second, Dachaochan, will be operational by next year. Last December, it laid the foundations for the third, Xiaowan.

*The Nation* claims that China will not join the Mekong River Commission (MRC), an offshoot of the now-defunct Mekong Committee, established with support from the United Nations Development Programme, since this group demands that members get approval from the others before large-scale river projects are carried forward. China has nonetheless offered technical assistance to the MRC, such as hydrological data on the upper reaches of the Mekong River during the flood season.

China prefers to work with the Greater Mekong Sub-region (GMS), a grouping of the six Mekong riparian states, endorsed by the Asian Development Bank (ADB). By emphasizing mainly economic "exploitation" (as *The Nation* puts it), the GMS appears to be an ideal vehicle for China. It was the GMS which held the highly productive meeting preceding the ASEAN

Summit in Phnom Penh last week, reported in last week's *EIW*.

### **Three U.S. Ambassadors in Southeast Asia Objected to the U.S. Travel Warnings**

Three U.S. Ambassadors—to Thailand, Singapore, and Malaysia—joined with national spokesmen in their respective countries protesting that the U.S. (and other countries') travel warnings against Southeast Asia were unwarranted and damaging to the economies, wrote *New York Times* reporter Raymond Bonner from Jakarta on Nov. 11. One ambassador said that the warnings played into the hands of the terrorists. A European ambassador told the *New York Times*: "There are cells in the U.S., there are cells in Europe, there are cells in Southeast Asia. Why was the travel warning only for the countries of Southeast Asia?"

### **U.S. Firm Puts Financial Paper Before People**

A bad debt crisis threatens to cripple Asia's economies again, and governments and banks will have to act quickly if they want to avert the financial sting, writes consulting firm McKinsey & Co., in a paper called "Fixing Asia's Bad Debt Mess." The report, described in *Business World* of Thailand Nov. 13, accused banks and governments of ignoring the problem, and misreporting the size of NPLs (non-performing loans) in their banking systems.

McKinsey said Asia's 1997-98 financial crisis has left a bad debt burden of \$2 trillion—equivalent to almost 30% of the region's Gross Domestic Product. "Yet governments have yet to recognize the full extent of the problem: Their own reports peg the amount at a fraction of that level," the consulting firm says.

In the Philippines, for example, with the NPL ratio standing at 17.58%, McKinsey writes: "In fact, many banks would be insolvent if their balance sheets reflected the true value of their loan portfolios." McKinsey's "solution" is for governments to stop "explicitly or implicitly protecting depositors," and let the banks go.

### **Minister: Indonesia Faces Economic Collapse**

The Indonesian Minister for National Development Planning warned that "Indonesia's economy is on the brink of collapse," according to the *Jakarta Post* Nov. 14. Minister Kwik Kian Gie, who has long been the most vocal critic of the IMF in the government, said that the current plan to restructure domestic government bonds will add \$55 billion to the long-term debt burden, since it will require additional borrowing, and is a sign of the pending collapse. He intends to do a complete study of the plan for formal presentation to the government and to the international institutions. He has posed no solution other than forcing the banks that were bailed out to pay off the bonds, which is no solution at all. The \$72 billion in domestic government debt (on top of another \$72 billion in foreign debt) came entirely from the bailout of the banking system after the 1997-98 speculative assault on Indonesia's currency.

The desperation of the government was shown by the announcement on Nov. 13 that subsidies on fuel and electricity are to be totally eliminated through 6% rate hikes every three months, until the price reaches "international market prices." Only kerosene, used for cooking by the poor, will be exempt. The outcry by business and population alike is already intense.

### **Afghanistan Situation 'Dire'**

As called for by Joint Chiefs of Staff Chairman Gen. Richard Myers in a speech at the Washington, D.C.-based Brookings Institute on Nov. 4, the Pentagon is trying to shift the emphasis of the Afghanistan operation from pursuing remnants of al-Qaeda and Taliban, to providing security in cities and rebuilding infrastructure. One hundred seventy additional U.S. Civilian Affairs soldiers, who build small infrastructure projects, are being sent to Afghanistan. The Pentagon is

considering using the Army Corps of Engineers to manage road and bridge projects in northern Afghanistan.

But how will it be funded? Earlier this year, the Administration rejected Congressional efforts to increase aid to Afghanistan by only \$200 million. Now, William Taylor of the State Department and Dov Zakheim, controller of the Pentagon, recently toured the Persian Gulf together to raise funds.

Andrew Natsios, administrator of U.S. Agency for International Development (USAID), claims that large-scale projects are getting underway, and that work on a 35-mile stretch of the Kabul-Kandahar road has just begun.

*EIW's* reports from the area are dire. The flow of international refugees into Northern Afghanistan has ceased because of the destruction of irrigation systems and other preconditions for farming, and many refugees have returned to camps, unable to cultivate their land.

In addition, fighting and chaos are breaking out. Two U.S. bases in Afghanistan came under attack on Nov. 14, while student demonstrations at Kabul University continued throughout the week, killing as many as six demonstrators.

Nine 107-mm rockets landed near the fire base at Gardez, and the U.S. Special Forces base at Lwara was hit with rockets, mortars, and rocket-propelled grenades. There was at least one hit within the compounds, but no reported U.S. casualties. U.S. warplanes bombed and strafed the suspected positions of the attackers, and a patrol from the 82nd Airborne Division engaged in a firefight, reporting two suspected deaths among the attackers.

The student protests were initially aimed against the living conditions provided to university students, who lack electricity, water, or food. Riot police opened fire on Monday, Nov. 11, killing two, and again on Tuesday, leaving more dead in running battles across the campus.

### **China Trumpets Progress on Roof-of-the-World Railroad**

The *China Central TV* daily broadcast Nov. 12 presented a feature video on the leading project of the Western Region of China: the Oinghi-Tibet Railroad. The 2,000-km route (at its longest definition) is to connect Xi'ning with Lhasa. It is considered the most difficult of all rail projects ever, because of the demanding physical conditions. As of 1984, the line had been built from Xi'ning to Golmud, but it stopped before the high mountains. The engineers were unable to solve three problems: 1) the high altitude and lack of oxygen for the work crews; 2) the stretches of permafrost ground, with its effects of sinking and loosening the trackbed; 3) environmental damage issues in this landscape. For the desired route, 1,110 km go through very demanding conditions: 960 km are over 4,000 meters high; and at the highest level reaches 5,072 m above sea level. Much of this spans frozen ground.

In June 2001, the entire project was reopened, as all the three problems stalling construction were considered solved. Work crews have been deployed since then, with no deaths. Thermal insulating layers for parts of the track have been devised, and use of extra thicknesses of materiel for the bed. For some stretches, bridges are used, and no track is laid on the Earth's surface at all.

Western Region development received specific impetus in 1999, according to the *CCTV* report. In January 2000, a group was set up under Zhu Rong Xi, to advance the program. Over the past three years, \$30 billion has been pumped into the region, with 80% of that going to infrastructure. This \$30 billion amounts to one-third of the total of China's investment funding. Built or under active construction so far are: 4,000 km of railroads; 50,000 km of new roads; and the conversion of 3 million hectares of farmland to forest, for conservation of land resources. College enrollment in the region has been doubled, and 2,000 science and technology projects have been initiated. The High Plateau railway is the centerpiece of all the Western projects.

## **AFRICA NEWS DIGEST**

### **Former South African Diplomat Comments on Mbeki at ASEAN**

Former South African diplomat John Mare, who now consults on international issues and is Head of the Asian and European Studies Units at Pretoria University, penned an important analysis of South African President Thabo Mbeki's participation in the recent ASEAN summit. Mare's report was published Nov. 6 in the Johannesburg newspaper *Business Day*. He wrote:

"This week, Mbeki makes an important strategic move that should have long-lasting political and economic results in the relations between Africa and Southeast Asia.

"The countries of SE Asia and those of southern Africa both occupy extremely important geostrategic positions, especially as they are major entry points into the Indian Ocean.

"The globally important reserves of natural resources in each region, together with their increasing industrial capabilities heightens this relevance.

"The Indian Ocean itself, with the colossus of India at its centre and the oil-rich Middle East generally classifying as littoral states, is one of the most politically and economically strategically important oceanic regions in the world....

"The relative stability in the SADC, despite some problems, bodes well for its ability to increasingly take up the opportunities offered in Asia. The developments emanating from Nepal and the creation of the African Union have far greater potential for new economic and political cooperation with southeast Asia.

"Mbeki made a major contribution towards building new bridges across the Indian Ocean when he became the first African head of state to address an ASEAN summit.... The address in Cambodia should also be seen in the context of future events which will strengthen our ties with southeast Asia.

"In February, Mbeki is due to visit Malaysia to formally hand over the chairmanship of the Nonaligned Movement to that country and later next year a meeting of the OIC, for which SA has asked observer status, will take place in Malaysia.

"In March next year, a ministerial meeting of the members of the Indian Ocean Rim Council, an organization set up in 1997 to promote economic ties across the Indian Ocean, with SA one of the founding members will take place in Sri Lanka.

"The new bridges being built across the Indian Ocean with southern Africa and southeast Asia playing pivotal roles will have profound effects on the greater international scene. One of these will be a new strengthened Indian Ocean interactive community, with increased interest from the entire Asian region in playing a part in all the regions of Africa. The SADC can learn much from the functioning of ASEAN."

### **Blair Intervention Exacerbates Fuel Crisis in Zimbabwe**

The Mugabe government of Zimbabwe has made it clear that it is not currently able to import fuel from Libya, from which 70% of its fuel had come. The government newspaper, *The Herald* reported Oct. 31 these following by Mugabe to a group of businessmen: "The fuel comes in the name of the government. When the fuel comes, we are worried about its duration,

whether we have enough stocks. And what do we do? We call in multinational companies. They sell and make profits.... They must import and not wait for government to do it for them. They have the foreign exchange. In true partnership, they should play their part."

The official exchange rate is 55 Zimbabwe dollars to one U.S. dollar, but the unofficial rate is now 1,500 to 1, and climbing.

No Libyan fuel has been delivered since mid-September, according to the *Zimbabwe Independent*, which concedes that there is still good will between the governments of Libya and Zimbabwe. The *Independent* says it "has it on good authority that government dispatched a team to Kuwait ... to negotiate re-opening fuel links with the Independent Petroleum Group of Kuwait."

According to the *Zimbabwe Independent*, British Prime Minister "Tony Blair is reported to have written a letter two weeks ago [last week of October], which was hand-delivered by a deputy secretary in the Labour government... to Muammar Gaddafi, asking him to stop fuel supplies to Zimbabwe. 'The British government, using a carrot-and-stick strategy, asked the Libyans to cut fuel supplies to Zimbabwe in return for the normalization of ties with London,' said a highly placed source based in Tripoli."

Based on the nature of contacts between London and Tripoli in recent weeks, the report of the letter is credible. But is it unlikely that Gaddafi would accept such an offer, although some news reports, such as that of the *Sunday Times* of Johannesburg, have claimed that he did. The *Times* quotes the Libyan ambassador to Zimbabwe, but the ambassador told Zimbabwe Broadcasting Corp. that he never spoke to the *Times*.

### **UN Bimonthly Report Warns of Starvation in Zimbabwe**

The UN's field officers are reporting "a worsening food security situation in many districts" of Zimbabwe. The Nov. 15 bimonthly United Nations humanitarian report warned that rural hospitals are seeing a marked increase in the number of cases of malnutrition and pellagra, according to the *Zimbabwe Independent* newspaper. Black market maize is selling in urban areas at four times the price fixed by the government. "In most areas, it is not even available for purchase," according to the report.

The government is still not allowing the importation of grain by private companies, despite a commitment by President Mugabe to James Morris of the World Food Program (WFP) three months ago. There is also genetically modified maize from the United States sitting in storage in Zimbabwe (and also in Zambia), even though Mugabe told Morris in August that he would lift the ban on its distribution.

According to the UN report, the government has bought 15,000 tons of seed maize for distribution and another 15,600 tons has been sold directly to farmers. But, according to the report, the government has blocked the sale of more seed to farmers. Other reports critical of the government's actions have so far not made a claim that the government has blocked the sale of more seed. The UN report says the available seed can produce between 600,000 and 800,000 tons of maize in the new season just begun. The national requirement, however, is 1.8 million tons.

The same report, drawing on the work of the International Research Institute for Climatic Prediction, says that the threat to southern Africa from El Nino has shifted from "weak to moderate and continues to increase." "On this basis," the UN report continues, "Zimbabwe is likely to experience weather patterns similar to the previous year, when rainfall was too high from November through December and too low from January."

The WFP distribution plan for November calls for distribution to 3 million Zimbabweans. The WFP plans to feed about 5.9

million by January, but that is contingent on the generosity of donor agencies, who are currently supplying only about 35% of what they have already promised.

## **Radical Rightwing Irregular Warfare Targets South Africa**

South African police have identified two men suspected of involvement in the planting of nine bombs in Soweto and Bronkhorstspuit as of Nov. 3. The *Sunday Times* of Nov. 3 reported that other suspects had compiled a hit list, targeting former President F.W. de Klerk, former Ministers Pik Botha and Roelf Meyer, retired Freedom Front leader Constand Viljoen, and a Tshwane councillor. Top security officials, who confirmed the discovery of the hit list, said the men on it were seen by extremists as having sold out their people. (Note that some of the people on this hit list, have also been involved in meeting with Israeli and Palestine leaders to attempt to secure peace along the South African model.)

The investigation of the blast scenes and unexploded bombs found in Soweto and Bronkhorstspuit produced enough DNA and other forensic evidence to identify the suspects conclusively. They are said to be part of a network of right-wing extremists for whom police have been looking for some time.

According to the *Sunday Times*, the bombers wanted to use the attacks to cause racial tension and instability. The right-wing groups are linked to militant religious cults, and the bombings were set to start on the date an Afrikaner seer had predicted the start of a new Boer rebellion—Oct. 29.

Busi Mavimbela, Director-General of the National Intelligence Agency, said, "To talk of a right-wing threat presupposes a big political movement from the right. This is more terrorism than a right-wing threat."

The religious cults identified as having right-wing links are Israel Vision, Daughter of Zion, and Phineas Priests. Some of them operate in the style of the Ku Klux Klan.

The Priests boast among their high-profile members the self-confessed neo-Nazi Barend Strydom, who killed seven black people in a 1988 shooting spree.

The extremists have recruited professional people, academics and former and current members of the military establishment, and have exploited fears of Zimbabwe-style farm invasions in South Africa to gain support.

Their plans include identifying and infiltrating intelligence structures, and monitoring police stations, city council offices, and arms and ammunition depots. They are known to be involved in legitimate business ventures, such as security companies, to ensure legal access to guns. Security firms also serve as legal training grounds for their recruits. The groups have no more than 1,500 members trained in basic military skills such as map reading, marksmanship, and the manufacture of explosives.

By Nov. 4, some 17 suspects had been arrested, including a senior member of the right-wing group the Boeremag, Tom Vorster, who was arrested in Gauteng Nov. 4 on charges of terrorism, high treason, and sabotage. The Boeremag intended to take control of the government and "chase all black people out of the country," according to documents obtained in conjunction with some of the arrests.

## **This Week in History**

### **November 18-22**

Of the portentous events in American history which occurred in this week, the most significant by far was the assassination of President John Fitzgerald Kennedy, on Nov. 22, 1963. President Kennedy's murder, and the subsequent failure of the U.S. Establishment and population to discover and tell the truth about its real authors, was the signal event in the transformation of the United States, from being the postwar superpower with the capability, and budding commitment, to a global mission of doing good, into becoming the post-industrial, would-be imperialist wreck that it is today.

As *EIR* founder Lyndon LaRouche has often pointed out, President Kennedy came into office with the potential, and strong inclination, to follow in the footsteps of the only great U.S. President in the 20th century, Franklin Delano Roosevelt. While surrounded by Utopian lunatics in the military and the foreign policy establishment—including the young Henry Kissinger and McGeorge Bundy—the World War II veteran Kennedy fought energetically against the One World government, Wellsian schemes which this crew hoped to ram through, now that they had the American military commander Dwight D. Eisenhower, out of the way.

President Kennedy's boldest initiative, taken only four months after he was inaugurated, was the announcement of the manned Moon mission, a mission which threatened to unleash the best scientific and moral capacity of the United States. But that was not all. Kennedy also came to be increasingly at loggerheads with his would-be controllers in the foreign-policy arena. He nixed some of the worst proposals (like that calling for the U.S. to carry out a bombing of a U.S. aircraft that would be blamed on the Cubans, and used as an excuse for war), fired Henry Kissinger, got through the Cuban Missile Crisis without being trapped into launching World War III, and was about to make the decision to deploy out of Vietnam, despite recommendations from his military advisers to commit a massive troop deployment to the area.

For all these reasons—but, more importantly, what the accomplishment of this *directionality* in foreign and economy policy would mean for the role of the United States—President John Kennedy was a threat to the British-American oligarchy which was determined to control the United States.

*EIR's* investigations over the years on the Kennedy assassination have been definitive in identifying the nexus which organized the murder, *and the cover-up*, of the murderers. The central institution involved was the Permindex organization, which was tied directly into circles around the British Monarchy, Prince Philip's World Wildlife Fund, and the Special Operations Executive. The tentacles of this institution extended into New Orleans (where they were investigated by District Attorney Jim Garrison), Canada (where they were represented by British intelligence agent Major Louis Mortimer Bloomfield), and Europe, where Permindex operatives were involved in the attempted assassination of French General Charles de Gaulle.

Looking behind the particulars, what is clear is that it was the high levels of British Intelligence, with its American collaborators, who were determined to get President Kennedy out of the way.

There's a long history of such British Intelligence-authored assassinations of American Presidents, ranging from Abraham Lincoln, to James Garfield, to William McKinley. In each case, the British were fearful of the threat to their financial and political control, from an emerging American republican power, led by an extraordinary leader occupying the Presidency of the United States. These oligarchical agents feared the President Kennedy would be one such leaders.

## The Gettysburg Address

What Kennedy might have become, is suggested by another significant event which occurred during this week in history, specifically Nov. 19, 1863. This was the day that President Abraham Lincoln gave what has come down as the most poetic, and stirring, statement of the purpose of our Republic, the Gettysburg Address.

Speaking at the dedication of the cemetery at the Gettysburg battlefield, President Lincoln rose above the bitter partisanship of the period, to encapsulate the hopes of the nation. He spoke of all the soldiers, both Union and Confederate, and how they had dedicated the ground with their sacrifice. He asked those listening, and those millions who have read his words subsequently, to dedicate themselves to ensuring that a nation, devoted to the proposition that all men were created equal, would not perish from the Earth.

That ability to touch the soul of the nation, on a matter of profound principle, and to move people behind such a mission, was the reason the British, and their feudalist allies around the Vatican, were determined that President Lincoln would not be allowed to organize the peace, after having won the Civil War. His body was not cold, before the purposes for which *he* had given his all, were violently subverted.

We will never know whether President Kennedy, cut down on Nov. 22, 1963, would have exhibited the greatness of Abraham Lincoln—or even that of Lincoln's emulator, Franklin Delano Roosevelt. What we can do is to devote ourselves to ensuring that those treasonous elements—American toadies of British oligarchical thinking—are finally removed from positions of power in our nation, and we are led once more, in the tradition of republican greatness, which our people, and the world, so desperately need.

**Links to articles from *Executive Intelligence Review*\***.

### **New Alternatives in the Face of The End of Globalization**

Lyndon LaRouche addressed the Nov. 5 simulcast conference organized to bring him to the Autonomous University of the State of Coahuila, in the city of Saltillo. The questions in the discussion session which followed have been translated from the Spanish.

### **'If Brazil Goes Down, So Does Wall Street'**

On Nov. 5, Hector Benavides, the best-known television newscaster of Monterrey, Nuevo Leo'n, travelled to Saltillo, Coahuila, to interview Lyndon LaRouche for Benavides' Channel 12 program. The interview was broadcast Nov. 10, after news segments aired on previous days.

### **A Commander Must Think Of the General Welfare**

On Nov. 5 in Saltillo, the capital of Coahuila, Lyndon LaRouche gave a press conference during which he was asked about the Utopians' effort to take down the national military. The questions are paraphrased from LaRouche's English interpreter.

### **LaRouche to Stockholm EIR Seminar:**

### **Securing the Future for the Next Generation**

Lyndon LaRouche addressed an EIR seminar in Stockholm, via video-teleconference, on Nov. 12. The entire 90-minute discussion is posted at [www.larouchepub.com](http://www.larouchepub.com).

**More articles from *Executive Intelligence Review*\***.

**\*Requires Adobe Reader®.**

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## **Feature:**

### **The Next Generations**

**by Lyndon H. LaRouche, Jr.**

The world is presently gripped by the most deadly economic crisis in the experience of any person living on this planet today. *This economic*

*disaster is a systemic (implicitly terminal) collapse of the present economy, not a statistical-cyclical phenomenon within the bounds of an existing economic system.*

## **Economics:**

### [Bankrupt States Need LaRouche's 'Super-TVA'](#)

[by Paul Gallagher](#)

As Argentina's economic collapse went into a second and greater default on Nov. 14, it was worth remembering that the country's economy was shattered when, in late 2001, the revenue sources of Argentina's provinces were shut down, on International Monetary Fund orders, to attempt to pay debt.

### [Latest Greenspan-Fed Rate Cut Will Backfire](#)

[by Richard Freeman](#)

On Nov. 6, Federal Reserve Board chairman Alan Greenspan led the Fed's Federal Open Market Committee (FOMC) in cutting two pivotal interest rates. It was a desperation move that Greenspan knows will largely fail—but will have farreaching impact on the U.S. and world economy.

### [Japan Asserts Interests, But 'No' Is Not Enough](#)

[by Kathy Wolfe](#)

Since Japan's Harvard-trained Financial Services Minister, Heizo Takenaka, backed down Oct. 30 and issued a weakened version of his 'made in U.S.A.' emergency banking package, a remarkable rising commentary in Tokyo has re-asserted the national interest of Japan, as distinct from the financial interests of Wall Street.

### [Here, Mr. Chancellor, Is How You Can Lead the Economy Out of the Crisis](#)

[by Helga Zepp-LaRouche](#)

The war cries issuing from U.S. President George Bush, Vice-President Cheney, and Defense Secretary Rumsfeld, have made it plain that the U.S. government is committed to a war of aggression against Iraq, notwithstanding the fact that experienced and respected UN weapons inspectors have expressed doubt as to whether the country has any weapons of mass destruction at all.

### [Revenue Crisis Brings Worse Budget-Cut Folly](#)

[by Rainer Apel](#)

The first two November weeks are already certain to go down into history books as a missed chance for economic recovery in Germany.

## **National Economy:**

### [Heading for Argentine Blow-Out, Mexicans Call in LaRouche](#)

[by Gretchen Small](#)

When the man who claims credit for fathering the greatest bubble in human history announces to a confab of central bank chiefs from around the world, that Mexico is a 'safe haven' within Ibero-America, an intelligent person concludes: 'Whoa, boy. Mexico's going to look like Argentina any minute now.'

## **International:**

### [Sanctions Against North Korea Infuriate U.S. Allies, Risk War](#)

[by Kathy Wolfe](#)

The United States, Japan, South Korea, and the European Union agreed on Nov. 14 to suspend fuel oil shipments to North Korea starting in December, as a demand that Pyongyang 'promptly eliminate its nuclear weapons program in a visible and verifiable manner,' the Korean Peninsula Energy Development Organization (KEDO) announced in a New York statement.

## [Australian Raids and American Assassinations](#)

[by Michael Billington](#)

The nations of Southeast Asia have been put on notice by the U.S. war party and its 'deputy sheriff' in Asia, Australia and her Prime Minister, John Howard, that their citizens are henceforth subject to police-state measures while in U.S. or Commonwealth territory, and to American extra-judicial assassinations in their own homelands, if the United States deems them to be associated with terrorists.

## [The Burrell Affair: British Royals' Debacle](#)

[by Mark Burdman](#)

'The biggest crisis facing the House of Windsor since the 1936 abdication of King Edward VIII'—thus do observers in Britain characterize the catastrophes befalling Queen Elizabeth II and the Royal Family this November.

The unfolding drama confirms the forecasts of Lyndon LaRouche and EIR since the mid-1980s, of 'the coming fall of the House of Windsor.' Now it's coming on fast.

## [UN Iraq Resolution Sign of a Global Change](#)

[by Our Special Correspondent](#)

The agreement to UN resolution 1441 by the Security Council on Nov. 8, and by Iraqi President Saddam Hussein on Nov. 13, reflected agreements reached before the U.S. elections on Nov. 5, and a changed global situation in the aftermath of those elections.

## **National:**

## [Wall St. Looters Spark D.C., National Health-Care Crisis](#)

[by Edward Spannaus](#)

A Wall Street-sponsored financial scam which has been looting hospitals and health-care institutions for years, has now reached the end of the line, and is triggering bankruptcies of health-care providers nationwide, and endangering the lives of thousands of patients across the country.

## [Did Wolfowitz Blow CIA Secret To SetUp the President?](#)

[by Jeffrey Steinberg](#)

Deputy Defense Secretary Paul Wolfowitz, the Administration's leading 'Chickenhawk' proponent of the imperial doctrine of unilateral pre-emptive war, may have willfully 'blown' a CIA covert operation in early November. His possible purpose: To set up President Bush, and force through the Chickenhaws' illegal doctrine against strong opposition within the intelligence community and from others on the Bush national security team.

## ['Non-Core' Army Jobs May Be Privatized](#)

[by Carl Osgood](#)

After the bombing of the USS Cole, on Oct. 12, 2000, EIR Founder Lyndon LaRouche warned (['Lesson of the Cole Incident: Stop Privatizing Our Generals,' EIR, Nov. 10, 2000](#)) that there is no place in sane strategic policy for the privatization policies that were, then, already taking over many military support activities. In particular, he defined the engineering and medical capabilities of properly organized military institutions, as crucial to a broader nation-building strategy.

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