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THIS WEEK YOU NEED TO KNOW

The Weeks of Crisis Before Us

by Lyndon H. LaRouche, Jr. — January 1, 2003

We have reached the point at which the institutions of the states of the Americas and Europe will either end their hysterical denials of economic reality, or those nations which have not already plunged into an already accelerating process of disintegration will begin to do so very soon. The statistic left hanging on the drooping Christmas trees sends a simple, plain message. The world in general has now been plunged already into the greatest economic depression since 1929-1932. Up to now, the Congress and Presidency have shown no interest in any actually competent measures for dealing with that reality.

This present world depression was no surprise to me, nor to anyone who paid attention to my published record as the world's most successful long-range economic forecaster. The fact is, we could have stopped it at any time during the past thirty-five years, had we chosen to do so. Unfortunately, none of the Congresses or Presidencies of the past thirty-odd years have chosen to do so. So, because of that indifference to economic reality, the present world depression was allowed to happen. Now, it has arrived on the Congress' and President's doorstep.

So, all of the principal causes leading into this depression have been well known over more than thirty years. It should be emphasized here, once more, that I am personally on record as warning publicly of each step toward this crisis, and have been consistently right in every forecast which I have detailed, prior to 1971, in the course of the 1976 Presidential election campaigns, and the campaigns of 1980, 1984, 1988, 1992, 1996, and in 2000. At any point my warnings had been heeded, even as late as January-February 2000, the continuing march toward collapse could have been halted and reversed.

The question now, is whether people have finally learned their lesson. Have the members of the incoming Congress learned their lesson? Has the President learned this lesson? Are they willing to change, while they still can?

So, now, between this month's opening session of the U.S. Congress and about January 29th, the credibility of the present major national parties' leadership, the Congress, and U.S. Presidency will be put to an awful test of their fitness to lead this republic. Here, in this summary report to you, and to the President and Congress, I point to the nature of the crises those institutions of government must face during the present month. On January 28th, when I shall deliver my own "state of the union" webcast, I shall be able to tell you how those institutions have performed in the meantime.

Under the reforms begun by President Franklin Roosevelt, until the assassination of President John Kennedy, the U.S. had risen from the Great Depression created by Presidents Coolidge's and Hoover's misleadership, to become the world's leading producer nation, and its greatest national power. Then, from about the time of the official launching of the U.S. war in Indo-China and the inauguration of the first Harold Wilson government of the United Kingdom, the so-called Anglo-American powers, have transformed the most powerful and prosperous nation of this planet, our own, from a producer society, into an increasingly decadent form of "post-industrial," consumer society, while destroying our own family farms and industrial employment, and while looting the cheap labor and raw materials extracted from the relatively poorer

populations of the world.

Our republic's government led a 1971-1972 change, from a fixed-exchange-rate to a floating-exchange-rate form of world monetary-financial system. This change was aggravated by catastrophic measures of deregulation launched over the 1971-1981 interval, producing a state of affairs in Europe, throughout the Americas, and beyond, which transformed the world economy of the 1946-1964 interval, from one which had been formerly subject to risks of manageable cyclical economic crises, into a form of world economy gripped by accelerating descent into what has become now a terminal, or systemic economic crisis of the presently bankrupt world monetary-financial system.

The perilous condition of the U.S. water-management, rail and air mass-transport, power, pension, and health-care systems, is typical of the extent of the physical breakdown of a U.S. economy being looted to the breaking-point by the orgy of monetary hoaxes and financial-market speculation orchestrated under our present, decadent Federal Reserve System. This Christmas, as the railway conductor used to tell the passengers when the trains still ran, we reached the end of the line.

Solutions Exist

There are actions which could and must be taken by the U.S. Federal government, to deal successfully with both the present world economic crises and also the diplomatic "hot-spots" of today's world. The key to the control of the economic crises, is simply to return to the kind of economic thinking and practice of the 1933-1964 interval, and scrap the fads of "post-industrial consumerism" which have rotted out the nation since the period of the 1964-1972 Indo-China war.

This month's big question is this. Are the present White House and leaders of the Congress in such a state of drugged-like mental dependency on policy-shaping habits of the recent thirty-odd years, that they would rather let our nation die of an "overdose" of those acquired habits, than accept the obvious policy changes which must now be made? The month of January may or may not be the last chance for them to come to their senses, or nearly the last. What the Congress and President do, or fail to do, during this month may not be the last chance to save the world from a spin into the depths of a world depression, but no sane person would choose to risk that chance.

Meanwhile, in some parts of the Eurasian continent, an impressive first step toward a possible worldwide economic recovery was begun with German Chancellor Gerhard Schröder's history-making year-end visit to Shanghai, China. The world's most modern and efficient mass-transport passenger system, the German Transrapid design, became operational between Shanghai and its airport, with the German Chancellor and China's Prime Minister Zhu Rongji riding comfortably seated, at speeds of greater than 400 kilometers per hour. This event could prove to be the beginning of a long ride to prosperity for the world at large.

The technology-sharing arrangement between Germany and China is part of an emerging commitment to general economic recovery throughout most of the Eurasia continent.

This prospect of recovery intersects the combined effect of three proposals which my wife and I, and our collaborators, presented to numerous governments of the world over the course of the years 1988-2002. These proposals all focussed on using the occasion of the breakdown of the Soviet system for developing a new form of economic-development cooperation throughout the Eurasia continent. Since 1992, these proposals have centered around the concept of a Eurasian Land-Bridge-corridor development, and since September 1998, the establishment of a "Strategic Triangle" agreement, among Russia, China, and India to create the framework of multi-national cooperation among the nations of Asia for large-scale, long-term economic-development cooperation with the nations of Western and Central Europe.

The U.S. Congress and President must study the following connections within Eurasia very carefully.

Western continental Europe has now been dragged into the same, present world financial collapse which is presently hitting the U.S.A., its Federal states and municipalities. The recent official collapse of the value of the U.S. dollar by nearly 20%, was not a reflection of competition between Europe and the U.S.A.; it was a reflection of the presently accelerating collapse of the present world monetary-financial system as a whole, the dollar-denominated world monetary-financial system. One need only consider the scale of financial claims, from around the world, which are denominated in the dollar-system, to see the connections. If the dollar goes, the world monetary-financial system goes.

Things must be changed radically. There are solutions.

The characteristic feature of the keystone economies of Western continental Europe, is the export-oriented economy of Germany, followed closely by those of Italy and France. However, the high export-ratios of these three economies are almost as much a reflection of the presently accelerating collapse of those countries' internal economies as the relative success of their export potential. As Germany's Chancellor Schröder indicated during his recent televised address to the population, long-term cooperation in technology-sharing between Germany and Asia is the only economic program in sight which can lift Western and Central Europe out of its present plunge into a deep depression.

The basis for the Chancellor's optimistic outlook for cooperation with Asia, is to be sampled in the effects of the recent revival of the Strategic Triangle proposal delivered to Delhi in 1998 by then Russian Prime Minister Primakov. Cooperation among Japan, Russia, China, and the Koreas, toward reopening the rail routes across Asia, through China and Siberia, to the port of Rotterdam, is typical. The recent Asia conference on Mekong River Basin development, which India's Prime Minister attended, is typical of the great hopeful effort for these large-scale forms of cooperation within Asia. The new Transrapid link between Shanghai and its airport, typifies the link to large-scale new forms of economic cooperation between Europe and Asia.

It is in the most vital strategic interest of the United States that these forms of Eurasian cooperation go forward, and that we increase our role as Transpacific partners contributing to the success of these measures for long-term growth. Our diplomacy, in Asia, including the Middle East, should be a servant to those hopeful perspectives for durable, peace-promoting cooperation in such long-term development.

The Crucial Economic Action To Be Taken

What we need, to make those new forms of expanded economic cooperation and diplomacy work, is to put the presently bankrupt world monetary-financial system into bankruptcy reorganization. This means that the most relevant among sovereign nations' governments must act in concert to put relevant central banking systems and the International Monetary Fund into a form of receivership for bankruptcy-reorganization.

Unless that is done, the efforts at debt-collection by monetary-financial agencies will do to the world what the mid-Fourteenth-Century collapse of the Venice-controlled Lombard banking system of the Bardi, Peruzzi, et al. did in wiping half of the parishes of Europe from the map, and one-third of the population, during that century's so-called "New Dark Age." To allow some similar development to proceed, again, today, would be a clear-cut crime against humanity by all responsible for the relevant, culpable decisions.

Such emergency action requires reference to study of relevant precedents. The U.S.-led 1946-1958 economic recovery under the Franklin Roosevelt-shaped Bretton Woods design, is the relevant model for study of principles to be used for the needed emergency action by a concert of governments today.

Although it was Roosevelt's, not Keynes' conception of a gold-reserve-based, fixed-exchange-rate monetary system, which

is required for these present circumstances, in which the credibility of "independent central banking systems" is doubtful, the U.S. is not the economic power it was two generations ago. Agreement by a concert of powers were needed for establishing the needed reform of the international monetary system. The discussion of these leading technical matters should be proceeding among governments now.

In the present national economic emergency, it is important that Americans in particular understand the fundamental, organic difference between the economic system established by the circles of our Benjamin Franklin and the political and monetary systems of Europe. European states today are chiefly dominated by relatively defective, parliamentary forms of government which are modelled upon the Eighteenth-Century Anglo-Dutch liberal design, a Venice-styled model which was set up in the interest of the Dutch and British East India Companies' financier interests. Under that model, central banking systems representing such a concert of financier interests exert more or less great veto powers over not only the policies, but continued existence of parliamentary governments.

Under the U.S. Federal Constitution, and its constitutionally supreme Preamble, the nation is the perfect sovereign, such that government centered in the Executive, acts, with consent of the legislature, to create and control national debt, credit, and the rules governing the monetary and financial practice of the nation. Such are the features of what Friedrich List described as the American System of national economy, which Treasury Secretary Hamilton described as the American System of political-economy.

Despite the Federal Reserve Act dubiously designed by Manhattan agents of Britain's King Edward VII, the clear intent of the Federal Constitution persists, waiting to be re-awakened. Notably, when sovereign states, whether the U.S.A., Europe, or elsewhere, are required by sheer force of circumstances, and by natural law, to place so-called "independent central banking systems" in receivership, the relevant government is compelled by that circumstance to assume the kind of role in national banking consistent with the U.S. Constitution and the opinions of Hamilton and List.

In practice, today, the powers reserved to the Federal government by our Constitution and our history, require Federal actions in those urgent matters on which the states and their counties and municipalities are not allowed to act. Therefore, under our present Constitution, there is no hope for a sustainable recovery of the U.S.A. from the presently spiralling economic and monetary-financial collapse, unless the Federal government creates the needed new credit and regulatory authorities by aid of which the states are enabled to escape the virtual bankruptcy-collapse which now immediately imperils nearly all of them.

The first steps required, to this and related effects, during the month of January, are essential for the U.S.A. itself. Yet, such actions by our Federal government now, will unleash the needed chain-reaction effect needed for joint anti-depression acts with our partners in Europe and the Americas as a whole. That cooperation will also provide the means for ending the rampage of genocide now reigning over sub-Saharan Africa.

Diplomacy for Peace

There is no competent reason for the U.S. to continue its currently aversive policies toward Iraq or North Korea, nor to continue to regard the gangster-ridden present Sharon government of Israel, or Netanyahu's candidacy, as anything different than that which superabundant evidence of thuggery shows it to be. The U.S. has relatively great power, both in its own right, and, additionally, through its legitimate and other strong influence upon governments around the world. I wish our government would learn, as most recent administrations have usually not, that the very idea of strategic dogmas of national rivalry based on the misanthropic doctrines of Hobbes, Locke, Gibbon, and Bentham, is to diplomacy what syphilis is to marriage.

The objective of the foreign policy of the U.S.A. must be an extension of the policy which then Secretary of State John

Quincy Adams presented as the premise for the composition of the 1823 Monroe Doctrine. Our global strategic objective must continue to be war-avoidance motivated by an overriding continuing devotion to the emergence of a community of principle among perfectly sovereign nation-states. That principle is set forth as the supreme law implicit in the 1776 Declaration of Independence's adoption of Gottfried Leibniz's explicitly anti-Locke "pursuit of happiness," and the same notion embedded as supreme constitutional law of our republic, the general welfare principle, in the Preamble of our Federal Constitution.

Take the case of North Korea.

Presently, cooperation in economic development between the respectively sovereign portions of Korea is a matter of vital interest to all Eurasian states gathered around the Russia-China-India Strategic Triangle. These include the Koreas, Japan, China, and Russia. They include the nations of Southeast Asia. They include India, and implicitly the other nations of South Asia. The stability and progress of this cooperation is of vital interest to a depression-wracked Europe, and is a critical environmental factor in the strategic cross-roads region known as the Middle East. Any agency which threatens the fabric of that needed cooperation will be confronted by all.

In the region of Asia in and around the Korean Peninsula, the U.S.A. has relatively great power at its disposal, and enjoys the complementary advantage of the points of common interest among the nations of the region. Proper U.S. policy is to transform the interests so represented into the force of constructive diplomacy.

The situation with Iraq is comparable. The influence of the U.S.A. and its available partners in the Middle East, is enormous. Why waste, or even ruin that region, with ventures which any astute diplomat would avoid?

The truth of the matter is that, within the English-speaking powers of the world, a certain circle of fanatics has been built up around a group called the "utopians." These are so-called because they were brought together as a powerful faction around the utopian ideas of British intelligence interests' H.G. Wells and the Bertrand Russell of "peace and world government through preventive nuclear war." The homicidal lunacy typical of utopians, such as Bernard Lewis, Zbigniew Brzezinski, and Samuel P. Huntington, has made such utopian causes popular among certain like-minded so-called think-tanks, such as RAND Corporation. The principal danger of war in the world today is to be traced to the influence of fanatics of this or analogous types who may be attractive to eccentric utopian-minded publishers such as Rupert Murdoch and Conrad Black.

Starting the needless wars promoted by utopian fanatics, and turning the U.S.A. or other nations into police-states as part of a utopian sort of pro-war hysteria, is the quickest route toward losing the very freedom we profess we defend.

Latest from LaRouche

'Stop The Fibrillations'; Save the U.S., Global Economies

The following is Lyndon LaRouche's statement on the Jan. 4, 2003 edition of the weekly audio webcast, "The LaRouche Show," in answer to host Michele Steinberg's opening question to "the next President of the United States," on how to get out of the crisis of the weeks of January ahead.

Lyndon LaRouche: It's not a question of exactly what direction we take; it's a question of how we choose our directions from moment to moment.

We're in a period which is, has many of the characteristics of a heart patient in fibrillation. You've just got to stop the

fibrillation at that point. And that's what we're in now.

We're in a point where the political systems in the United States, and most of the world, are not functioning. That is, they are not capable of accepting the reality to which they have to respond. Therefore, if you don't face the reality to which you have to respond, you are likely to make inappropriate reactions—such as our current President's, my predecessor's, statement in Texas on "a darn good economy." It's not a darn good economy! Unless you're ducking reality, or drinking something, which I wouldn't want to drink, myself.

During this month, essentially between about now—next week sometime—and the 27-29 of January, the world is going to go through one of the most dangerous periods of crisis in recent memory. Already, the international financial system is disintegrating. There are many courses it may follow in this disintegration. But you're now at a point where the recent 18-plus percent drop in the value of the dollar, relative to the euro, European currencies, signifies, not a trade problem—that is, not a factor of trade balances—but this means that the international financial system, which is predominantly denominated in dollars, is disintegrating.

That is, the assets of the United States dollar are not just U.S. domestic assets. They are U.S. obligations, or obligations *to* the United States, from other countries in other parts of the world—such as Argentina, which is now in the process of disintegrating as a nation. Brazil, which is on the verge. Other countries of South and Central America are in various conditions of disintegration. Sub-Saharan Africa is disintegrating. And Europe can not survive under the present trends in its economy. That is, Europe—like 46 of the 50 states of the United States, and municipalities like New York City—can not raise enough money to pay the current expenses of government. If they were to increase the tax rates, they will collapse the economy more rapidly—that is, the municipal or state economy—more rapidly than they nominally increase the tax revenues.

So you get to that point where increasing the tax revenues, or cutting expenditures, doesn't work, because it makes the problem worse. It's not a cure.

So, you're at the point where there's only one kind of cure. Put the system as a whole through bankruptcy reorganization. That is, have a group a governments: Each government puts its own central or national banking system, such as the Federal Reserve system, into bankruptcy reorganization; because there's no way the Federal Reserve system can balance its books, under the present trends. The only thing that keeps it alive is the backing of the United States government. Similarly, the central banking systems of Europe, of other parts of the world—they are hopelessly bankrupt. They can not continue to operate successfully under current conditions. They do not have additional sources of current revenues coming in to solve their problems. They are *bankrupt* in a very special sense, as only nations and central banking systems can become bankrupt.

But the bankruptcy of these institutions, and the craziness into which they plunge when they are bankrupt, becomes a threat to the security of the world. And therefore, to stop the fibrillation in the monetary and financial system, governments must intervene—to shut down the fibrillation; that is, to put these institutions, private institutions, or nominally government-controlled institutions, into bankruptcy reorganization, under the supervision, in one case for example, the Federal Reserve system, of the United States government. Or, in the case of the IMF system, which is also bankrupt, a group of nations, which are the primary backers and owners of the IMF, will have to put the IMF, also, into bankruptcy reorganization.

If these things aren't done, there's no way to stop the fibrillation, and what might happen is incalculable, but terrible. You don't know how the patient is going to die; but you know the patient is in the condition where death is imminent.

How To Recover

Now, the same thing applies to the question of recovery. We can put the system into bankruptcy reorganization; but how can we recover? Where's your recovery program?

Well, President Bush has got the idea that he does need a stimulus program. And I understand he's got Karl Rove and a couple of other people trying to cook up something that might be an economic stimulus program. But actually, relative to the problem, it's a joke.

So we've got to have a very serious reorganization of the U.S. economy. A recovery program in the style of Franklin Roosevelt's measures back during the 1930s. What we need is large-scale infrastructure projects.

The maglev, for example; the magnetic levitation rail system is an example.

We don't have a functioning national rail system any more. We need one. Well, the maglev is a good way to start rejuvenating it. Our air traffic system is collapsing. All kinds of things are collapsing. So we have plenty of work to do. We have a water crisis, for example; another problem, especially in the West and Southwest; we've got to do something about it.

So, much to do; much work to be done. And the government is going to have to take the view of raising some credit through the Federal government, which is the only agency which can really do this; and in cooperation with the states, take a number of projects of the type I've indicated—including energy systems and so forth—and say, "For the next 25 years, we have these following programs." Or like the TVA under Roosevelt, these will be going ahead as the stimulant for the real economy, to get employment back in shape; to produce markets for private entrepreneurs who otherwise are going to collapse for lack of markets, and so forth. We have to do these kinds of things.

To do this, we have to do something else, which is even tougher.

'Roman' Crisis, Not a Cyclical Crisis

The reason we're in this crisis, is because beginning about 1964, the United States and England, followed in due course by continental Europe, went into a change in the economic system. These nations, which had been predominantly *producer* nations, traditionally. That is, the orientation of the national economy was production of wealth, especially physical wealth, with a large emphasis on high-technology, capital-intensive investment, basic economic infrastructure, modern infrastructure, and so forth—that was the characteristic. So Americans, or Europeans, looked at themselves as producers. If they weren't producing something themselves, they were part of a society which was productive. And they estimated their value—their future, the future of their children and grandchildren—in terms of "I am productive; I am producing real wealth. I am valuable. I have not to apologize for my existence, to anyone."

What happened is, beginning about 1964, with the cultural paradigm shift in the United States and the Wilson government in England in the same period, which was a similar disaster; we began to shift—as with the rock-drug-sex youth counterculture and other things—we shifted away from being a society oriented to high-technology production, scientific progress, infrastructure, long-term investments, and so forth. We went into a *consumer society*. We said, "We are going to get what we need to eat and wear, from other parts of the world, from poor people who will work for us at slave-labor prices. Our people will not work any more—or, fewer and fewer of them will work. They will live as part of a consumer society, on bread and circuses, as Rome did from about the Second Century B.C. on, until it collapsed as a result of that policy.

We're in that kind of a process of degeneration.

This is not, therefore, a cyclical crisis. This is not a boom-bust cycle crisis. This is a collapse of the entire system. This is the kind of crisis from which no one recovers. There is no automatic "bounce-back." There is no upturn. It's all the way down; and the only way you go from down, is worse.

Unless you change the system. Changing the system means, essentially: Repealing all of those measures, especially in law, especially by the Federal government, which involve deregulation; which involve deindustrialization; which involve consumer society as opposed to producer society. All of those kinds of laws on the books must be eliminated in one sweep.

In other words, you can take, essentially, what was done from 1971—when Nixon blew the system out with his decision of Aug. 15, 1971—until Carter left office (or better said, Brzezinski left office at that point); and the deregulation and other measures taken during that 10-year period, set into motion a destruction of the U.S. economy, such that the U.S. economy, under law—even with a stimulus package—can not recover today, *unless* you have one sweeping set of decisions, made at the government level—the Executive Branch and the Congress—which says: Those laws are now suspended for the duration, until the recovery; and then we'll consider the whole thing again.

But that means that all deregulation, and things similar to that, have to be cancelled. The 1971 decision on a floating-exchange-rate system, above all, must be cancelled. We've got to go into a long-term recovery process, 25-50 year perspective, of building up the economy of the United States and other countries.

The Eurasia Maglev Breakthrough

We have one big asset on the horizon—not in the United States, but it affects us very much.

As most people may have picked up by now, at the end of the year, and beginning of this year, the Chancellor of Germany, Gerhard Schroeder, was paying this visit to Shanghai in China, where he received an honorary degree at the university and so forth. But essentially what he did: He got on the most modern, most efficient railway system existing anywhere in the world today. He got on with the Chinese Prime Minister. They sat in comfortable chairs. And he had a potful of flowers floating on water, on a small table in front of him, where he was sitting. This thing went from Shanghai to the newly-built Shanghai International Airport, at speeds of up to 431 km/hour. And none of the flowers spilled out of that bowl of water, in which the flowers were floating, on the small table in front of the Chancellor.

This system was built as a technology-transfer—or technology-sharing, better said—operation between Germany and China. I know a good deal about the thing. I was one of the people pushing for this for a long time; one of the boosters of the project. So I'm very happy about it on that account.

But what this means, is that China will now move into a series of more rails of this type, rails of this speed. This probably includes, finally, a line from Shanghai to Beijing and Beijing airport—probably; that's not settled yet. But there are others—like to the old city we used to know as Nanking, and so forth. These areas are now being included for the same kind of treatment.

More significant, is: This project was done in a relatively short period of time. There's no country in Europe, or in the United States, which could do what was done, in putting this high-tech system of magnetic-levitation transportation into place, for that distance, in that time. Only China could do it. That says something.

That tells you that China is a growing economy. It's poor. It is not a great military power by our standards; not today; won't be, for a long time to come. But it shows a capacity for responding to the challenge before it, which is actually gratifying. It's astonishing. All spectators who know anything about this business were pleasantly astonished, as I was.

Now, this means that Germany and other countries of Europe, which are not going to survive under the present trends—there's no way they can balance their books; there's no austerity program that's going to work; it will only make things worse—they are going to depend, Europe is going to depend on a process which I've been pushing. That is, back in 1998 in particular, I pushed for the formation of a Strategic Triangle of cooperation among Russia, China, and India. Not them alone. My argument is the following.

We need large-scale projects in Asia, and Eurasia, to get the world economy moving. These projects can not go forward without arrangements on cooperation and security among most of the nations of that entire region of the world.

Now you have three major nations in that part of the world: Russia, China, and India. Other nations which are important, such as Japan, Korea, Kazakhstan, and so forth. But these are the key nations. If these three nations—of dissimilar characteristics, of dissimilar cultural characteristics—can agree on a joint large-scale economic-cooperation program, and a joint security program for the entire region of Asia/Eurasia; then, all of these nations can come together. And they're coming together. The nations of Southeast Asia: Korea, Japan, China, Russia, Kazakhstan. These nations are coming together around this project.

The maglev project, the Transrapid, which was demonstrated as an operating system between Shanghai and Shanghai Airport over this year-end; this is one of the steps toward that development.

This means, that if we can get the jam-up about this railroad connection in Korea, between North and South Korea, fixed—no more fooling with these crazy ideas about diplomacy; just do it—that Japan will be able to ship goods by rail from Pusan, at the southern tip of Korea, to Rotterdam, by two routes: one, the Trans-Siberian route; second, the middle route, so-called Silk Road route. This means that with the development of high-speed freight, as well as passenger transit, by land, we have changed the character of the planet.

By doing so, we will open up Central and North Asia for development of its raw-materials potential. We will improve the water system: the great Ob River, and the Irkutsk River, will move water down towards Central Asia, to develop [the region] around the Aral Sea and other areas that are now dying; reverse that process; increase areas of human habitation and development.

But at the same time, this system means that Western Europe and Central Europe—including countries such as Poland, Rumania, Slovakia, and so forth—that these countries will now have a future, *as now they have none*.

And led by Germany, France, and Italy—which are the chief export-oriented countries of Western Europe—Western Europe can become a fountain of technology, exported in cooperation with countries of the Strategic Triangle now coming into existence.

That means that there is the possibility of a recovery in Asia, if we have a new international monetary system to make it work.

What We Have To Do in January

What I propose as a monetary reform, has been endorsed by a majority of the Italian Chamber of Deputies, and by many parts of the Senate. It is my proposal; it has been adopted and voted up *as my proposal*. So there are people in the world moving to do what I've proposed be done.

The United States must have a new orientation. The orientation must be to cooperate with this kind of development in Eurasia; a new kind of diplomacy; peace in the Middle East; ending the genocide which is now policy of practice in sub-Saharan Africa. Stop destroying our neighbors to the south, in South and Central America. Begin a long-term process of development and investment. Turn the United States back into an engine of technology. Start with infrastructure. Save the industries we have. Save our air transport system. Save our rail system. Improve our transport system with an idea that we're going to transport across the Pacific too, into China, Korea, and so forth.

We have options. But what we have to do, is do as I say. At this point of crisis, beginning the month of January, we have to begin to make these fundamental changes in U.S. policy, and policies of other countries. We have to resolve to put the IMF through bankruptcy reorganization, to go back to something like we had between 1946-58; not exactly, but something like it; the same principles. We have to cooperate with Eurasian countries, including our allies in Western Europe, for cooperation in this great Eurasian development project, one of the great projects, and the greatest market, of all humanity today. We have to turn to our neighbors to the south, and go back again to a nation-building, high-technology orientation; to save Argentina; to prevent Brazil from collapsing; to restore Colombia to itself; to restore, fully, the sovereignty of Peru; to build up the nations of Central America; to strengthen Mexico on a stable basis, not a cheap-labor-market basis; to save Bolivia from a drug mob; to prevent that kind of corruption from going on in Paraguay and Uruguay.

We have a great challenge and a great opportunity. It means we have now to say, the system is a failure, going from a producer society to a consumer society was a stupid, evil mistake; going to a floating-exchange-rate system was a stupid, evil mistake; deregulation was a stupid, evil mistake. We're going to fix that; we're going to learn our lesson, correct our errors, and act to stop the fibrillation. And it has to start this month. It has to start in the month of January.

So now, here we are. Congress is preparing to re-assemble. They'll be much fussing in Congress; they'll be various people in the Congress who'll make some measures which are interesting measures, with which I have sympathy. But the question is, are they going to push for the measures which we *need*? Not just band-aid measures, but measures that will actually begin to fix the problem. Are they prepared to change the system?

Then we come along to the question of the President, who, sometime later this month, is going to have to make a State of the Union Address; or it will be a State of the Dis-Union Address, otherwise. I'll be there all along. I'll be doing various things in other parts of the world; but I'll be there in spirit, and active, and watching, and intervening. Then on the 28th, I'm going to make an address, at 1:00 in the afternoon, Washington, D.C. time. Later the same day—probably; it's not yet certain—the President may make a State of the Union Address. Let's see if he does as well as I do, that same day.

On the day preceding—on Jan. 27—a number of very important decisions are going to be put on the table, including the UN discussion on Iraq, and things of that sort. On the 29th, there are other decisions that have to be faced.

So sometime between now and the 29th of January, we're going to see if the United States looks as if it's going to survive. In the meantime, my job is to be there. I know what works. I know how to fix the problem. These guys don't. I'm not laughing at them. I'm standing by and preparing to help them; to give them the direction of leadership they need—including the President; to give him the direction and leadership he needs, to show him what he does not know how to deal with now: how to fix this economy.

So that's what I'm up to. And now to see what you have to say about these things.

Dialogue with Lyndon LaRouche

Michele Steinberg: Well, Lyn, I'd like to start with a comment that says, "What you have just laid out, should remind people, as it reminds me, of Dr. Martin Luther King's great statement, 'I have a dream,' because what you have just laid out

to all of us, is a 'challenge to the imagination' (I think you used that term).

We have a couple of minutes before the break. I'd like to ask you to make a statement, just briefly, in terms of: What is your campaign going to do in this next month, in terms of directing the activities of the campaign volunteers, leading up to the webcast? Then, we'll take a break, and have more questions.

LaRouche: What I'm going to do, in particular, I'm going to act as if I *were* the President. Because the country needs the kind of leadership, that this President does not yet have the knowledge and advice from his own, immediate circle, to know what to do. I know what to do. I may not know all the answers, but I know more answers than anybody else in the United States. And, my ability to lead is needed in the United States, as elsewhere, at this time. Therefore, what I'm going to do with this month, as I indicated is, I'm going to be there, effectively behind the shoulder of the President, the Congress, and so forth. I'm going to be there, telling people what they need to know and what they need to do, that is most essential. When they make a mistake, they're going to have to worry, because I will have said what they should do; if they don't do, and they make a mistake, people are going to remember: "They made a mistake. They were told, 'Don't make the mistake, again.' "

So, by this kind of method, my purpose right now, for this month, is to get the United States, and much of the world besides, safely through a dangerous month. Without my intervention, I don't think we'd get through it. But, I think, if I am sitting there, nagging these guys, the way I nag, that I think that will keep them on the ball.

Steinberg: In a moment, we're going to be going to the conference panel, where, listeners, you'll be introduced to two of our leaders of the LaRouche Youth Movement... Timothy from Los Angeles has a question. He's a leader of the LaRouche Youth Movement. Timothy joined our movement just before Sept. 11, so this has been one heck of an eventful year and a few months, since then.

Timothy, are you there?

Timothy: Yes, hello. All right, Mr. LaRouche, I have a question for you. I think this is pretty crucial to organizing the American population, right now. It regards something you brought up in your "Next Generations" paper, in the section entitled "Educating Young Americans" today [*EIR* #45, Nov. 22, 2002]. Where you discuss hypothesis, and the decadent trends in matters of science; where you discuss the typically Aristotelian error common to the Roman, Ptolemy and modern Copernicus and Brahe, which is the Romantic reductionist's radical presumption, that physical lawfulness in the universe, actually, has to be limited to a form of uniform, statistical regularity and sense-perceptual observations. Now, I don't think it's just Ptolemy we're talking about, but I think a few Americans around here might be stuck on "uniform statistical regularity."

And so, my question is, could you, maybe discuss, how hypotheses are generated? Because it seems to me, that in today's world, "uniform statistical regularity" is conspicuously lacking.

LaRouche: Well, the problem is this: The question comes up, simply, to many people. And, it comes up partly as a religious question, because, the question is, what is the difference between man and an animal? Are human beings special, in the sense, that you can't do to them, what you do, say, with cows—slaughter them? What's the difference? Can you *prove* the difference?

Now, from the standpoint of so-called "received religious belief," Christian, Islamic, and Jewish, there are laws in those beliefs, against violating the difference between man and an animal. But, we're now in a period, where, led by people in the United Kingdom and elsewhere, they're moving toward the idea of a world religion, of a kind of heathen religion, which number one, tries to eliminate Christianity. The argument is made, that the Roman Empire fell because of Christianity, and if the Romans had not been influenced by Christianity, the Roman Empire would have gone on forever. And, there are

those who admire the British Empire, who say, "We could have an English-speaking world empire, if we could only get rid of Christianity." Well, I think, that everybody knows and has seen that process going on, and I think some religious beliefs, in the name of Christianity are helping that process!—of destroying Christianity.

But, the question still comes back to the basic question: European civilization, in particular, has depended entirely upon a concept, which we associate with Plato, and before him with Solon and so forth, the Classical Greek conception, which became an integral part of Christianity. And, all of the positive features of European civilization, have hung upon this conception of Christianity, done *in ecumenical relationship*, particularly to Islam and to Judaism. For example: From Moses to Moses to Moses. From Biblical Moses, to Moses Maimonides, to Moses Mendelssohn: This is Judaism, as an ecumenical part of the process.

So, these beliefs are now being destroyed, among people. And, people are now, in this time of distress, are turning around and saying, "What's the difference between man and a beast? Is there is a difference? *Can you prove it?* Except by quoting from the Bible?"

Well, you can. And, one of the ways you can prove it, is, you can take what Gauss did, in a Latin paper, in 1799, where he announced what became known as "the fundamental theorem of algebra." This paper was an attack on the reductionist/empiricist ideas of, specifically, most importantly, Leonhard Euler, who was a fanatical reductionist, and his protégé, who later became quite influential in France, Lagrange. And, much of the corruption in science, has come from the idea, which denies the difference between a man and an animal, as implicitly, Euler Lagrange, Cauchy, and others did.

So, we have then, a moral crisis, as well as a practical crisis, in science. Science should be able to tell us, as it can, "Yes, the idea of Christianity is right. There is a *provable* difference, between man and an animal." No animal, for example, can discover a fundamental law of the universe. And, you can't discover it at a computer. You can't discover it with mathematics. You have to conduct the process, which includes physical experiment, which enables you to discuss universal principles of this universe.

Now, these principles are not only important for science, as such. They're important, because we need progress. And, all the progress of humanity, in terms of productivity, better conditions of life, depend upon our making these discoveries, and utilizing them, in the form of improved technologies, to change and improve the way of life.

So, in this aspect, this belief, which is essentially for most of us, Christian, or Islamic, or Jewish, this belief is very important; not because it's a belief, an arbitrary belief, as a religious belief: It happens to be true! And, it's very nice to find that people have a belief, which is religious, which happens to be true! That gives us some confidence in those religions, when they practice it that way.

All right. So, it gives you a social basis for a moral understanding, of man, and the relationship of man and man, or man to woman.

Secondly, this principle, of discovery, is precious to us, for other practical reasons.

Now, the issue here, of hypothesis, is the following: The empiricists said, and following people like Sarpi, Galileo Galilei, Descartes, and others, have said, that there are no ideas in the universe. All we have is sensation, sense-perception. But, every principle we discover, is a principle, which is not available to us through direct senses. You can not discover gravity; you can't "see gravity"; you can't smell gravity. You can't taste it. It doesn't talk to you; you don't hear it crying. So, how do you know it exists? Well, Kepler ran a great experiment, a great investigation. And, he demonstrated that the Solar System is not run, as a regular system. It's run in irregular orbits, elliptical orbits. The rate of motion of the Solar System, is not uniform; it's constantly non-uniform. So, how do you get a simple mathematical formula? Then, you have someone like

Fermat. Fermat discovered, that, no, the way in which light travels is not always shortest distance; but, it does travel always by the quickest distance, which is not always the shortest.

And, most of modern science, including the principle of least action, of Leibniz, was discovered on the basis of this. Can you smell least action? Can you taste it? Can you see it? Does it speak to you? You know, you get in trouble if it does! Therefore, these principles, which are called "universal physical principles," are things which you can not see, taste, and so forth. But, by experiment, we can discover them. And, we can prove that they're efficient. Therefore, we know, that the mind of man knows this kind of process, of discovery, knows things "out there," so to speak—universal physical principles, by which we can change the universe, to our advantage. We don't invent new laws for the universe. But, we discover new laws, by which we operate, in the universe. And, this is what's important.

Therefore, this act of discovery, the act of so-called "hypothesizing," which is described in detail by Plato, in his collection of dialogues, this is the most important thing, in all scientific knowledge. Because, by this method, we are able to prove, that we, as human beings, can each, individually, we can each know things, and with certainty, things we can not see, things we can not taste, things we can not smell. We can know these things. They're called universal principles. We can know how to control the use of these principles, to change the universe from what we perceive it to be, into something more agreeable to us.

We know, that, because we're human, and can do this, that we, as human beings, are not animals. And then, we look, with a certain loving attitude toward our fellow human being, because behind the eyes of that other human being, there is a mind, which, like ours, can discover, can use universal physical principles, for the advantage, not only of the present generation, but transmit them to future generations. And therefore, you have an idea of solidarity with humanity, in nations and among nations.

So, there's much more to say on this, Timothy, because it's a bigger subject, as you know. But, I think these are the important things. First of all, this is a moral question, and one of the problems we have in society is, our morality is breaking down, because we do not understand, we do not really believe, that the other guy, as a human being, is not an animal. We do not treat them as human beings.

Even parents will look at their children that way. Or, people will look at their parents, adult people: "Well, you know, grandma, you've lived long enough, you know what I mean? And, your bills are piling up, and we can't afford to carry your bills. Grandma, why don't you give it up? You've had your run! Don't be a burden on us!" That's the expression in the United States, today. Before it had been considered criminal and disgusting. But, this is part of the moral degradation.

So, this idea of discovering the importance of universal physical principles, is essential to us, to get out of this mess. It's also *morally essential*, for us to correct the moral degeneration, which has taken over much of our population, especially over the past 30 years. That, I think, is the short of it.

Steinberg: Welcome, once again, to our listeners [station id]... Lyn, we have loads of e-mails coming in, and also more questions from our conference line. I'd like to go to Adam, from our Philadelphia office. Adam is also a leader in the youth movement, who's been involved in organizing for the "Super-TVA"; been at town meetings; and, visiting representatives in Washington, giving the Congress a perspective—shall we say—when the "LaRouche Cavalry" enters the scene.

Adam, are you there?

Adam: Yes, I am.

Hi Lyn. Great to be able to ask a question. As you know, of course, in this campaign, we talk a lot about technological development. And, it's one of the things, that actually recruited me, was your outlook on technology. But, beyond our current technological horizon, like particle beams, fusion, maglev, bio-photons, and things like this, what would you say could possibly be the next level of technological discovery? Especially in relation to the space program, like a Mars colony?

And also, I'd like your insight: Once we really get a grip on Gauss and Riemann, to a really profound level of understanding, could you give us an insight into what we would have to make breakthroughs in next?

LaRouche: Well, a couple of things, that are projects that interest me very much. On space project, you know, we discovered a long time ago (well, decades ago, actually), we discovered that most of the cosmic-ray radiation impinging on the Earth, is coming from the Crab Nebula. That's really fun. This was discovered in Germany, near Denmark, by a system there, which is a larger-scale system. And, the evidence which was picked up there, was then confirmed by an older, smaller system, in England. So, we pretty much established that: That this cosmic ray phenomenon, comes largely to Earth, from the Crab Nebula. That is, when we're in the right position, we get a bigger dose of it.

This is fun, because the Crab Nebula is something which is known in historic times. It broke up—it was observed in China, I believe—and it's very anomalous. It is relativistic in the extreme. And therefore, this is one of those things, which you want to look at, because it's obvious.

We also had on our list of investigations, back in the old days, back in the 1980s in the Fusion Energy Foundation, of looking at fast-spinning star systems. These are also quite anomalous, and fun.

There are a lot of things out there, which tell us things about the universe. And, we need to know, because only by looking at anomalies, or paradoxes of that type, can we really understand how the universe functions.

Then, you go to the other extreme: We have a phenomenon in very micro-microphysics, which is called "matter/anti-matter reactions." Now, these things are not well defined. The evidence is well defined, but it's obvious that this is a source of generation of power, which is orders of magnitude greater than the possibility of fusion combustion power. It's very interesting! It has what is called a higher "energy flux-density," by two or three orders of magnitude, than is possible with fusion energy. We'll look at that.

So, there are three directions, that I've proposed for mankind—back then, and I still do today:

* Astrophysics—look as far out as we can, through instruments and whatnot. Learn more about the universe at great distances.

* Second, go into inner-space, into the smallest area, of sub-nuclear processes, such as this business of so-called "matter/anti-matter reactions."

* Thirdly, look into life, the principle of life.

Now, this is where this Vernadsky problem becomes interest. Vernadsky, I think, to the satisfaction of many of us, at least, demonstrated, that we have three what are called "phase-spaces," that we know of in the domain of physical science:

One, is the abiotic domain, in which we see no evidence of life, or cognition. This is often assumed to be an entropic area—I don't it's necessarily so—but, anyway.

Then, you have a second area: You have physical phenomena, which are generated *only* by life, not by abiotic phenomena. This is, for example, Pasteur's famous experiments, and the subsequent work by Curie and Vernadsky *demonstrated*, that what we call "life" has the form of a universal physical principle, which causes changes in systems, which come *only* as a result of living processes, and can not be synthesized from processes which are not living.

Thirdly, we have, as Vernadsky emphasized, which he called the "Noosphere." We have physical changes, in the universe—especially on Earth, of course, where we are—where the universe is changed in ways that even living processes couldn't change it. But, man's mind, through applied discoveries of principle, does change the universe. Vernadsky called this "the noetic principle." I refer to it as "cognition," or "Platonic hypothesizing"—the same thing.

So, when looking at the world, these are the most interesting areas. For example, if we're going into Central and North Asia, this is an area of tundra and desert. It's an area of great extremes, and problems. Many of the mineral resources of the planet, one of the biggest concentrations, in fact, occurs in that area. Well, how are we going to deal with it? We have the Sahara Desert: It's a mess. Can we control deserts? Can we make that change? What about our own Southwest of the United States? We have a water crisis, a dangerous water crisis, in the Western and Southwestern states of the United States. Can we cure it? Yes, we can. But, in order to change the environment, in ways where you transform the desert into an habitable area, of production and dense population, you've got to know what you're doing. And therefore, the science of a higher biology, or a higher sense of Biosphere science, must be developed, so that we do the job, and do it competently.

So, these are the areas, I think, which people will tend to focus on, as they become optimistic about the future. Look to the far distance, in astrophysics. Look at the things, which are the wildest things we know of, out there, that we could possibly investigate. Go into the deepest depths of microphysics. Take the most interesting problems there. Break through the barriers. Then, look at man on the macrophysical scale. Look at, in terms of general, not only abiotic processes, which are the traditional area of physical chemistry; but, look also at life itself. Life is a principle. It is not something you get, from crystals. It's a principle. We don't understand the principle of life. We know it. People deal with it. But, what *is* it? What *is* the principle of life? If it's a universal principle, as Vernadsky points out.

Then, the question of cognition, the power of the human mind, which enables us to make discoveries of principle, as no other species can do. This has an effect, a *physical effect* on the universe: *to change the Earth*, and prospectively to change the Solar System, and more besides! What *is* this thing? Well, we can describe it from the standpoint of hypothesizing. We can conduct experiments, and demonstrate it. But, we know there's a *deeper* principle there, we don't yet understand.

My view is, let's inspire young people, who want to do scientific work, and give them the possibility of looking at this array of these areas of development; and look, at the same time, at some of the problems, which threaten the condition of life—well, today, for example, this AIDS crisis. We've done, really, *nothing* on this. What else is out there, that we don't know about, that's going to hit us tomorrow, that threatens humanity?

Let's go to the frontiers. Let's take on the challenge of the frontiers, of the unknown. Let's conquer the unknown. That's the way human beings ought to be. And, you do it for that reason, if for no other.

Steinberg: Thank you, Lyn. Thank you, Adam, for that question. [station id]

Lyn, I want to shift gears a little bit. We've received a number of questions, all related to a similar topic. One comes from Willem Dunkbar [ph] of the Netherlands, who is a supporter of the movement from there; others come from here in the United States. It's about Sept. 11, 2001. First of all, a question from Richard, in Trenton, N.J., "Besides yourself, which would be, to me, the most obvious, and too good to be true, who would you suggest to lead the official investigation?" The other questions are about, "What do you see as the clearest evidence, that the Presidency is implicated in the attacks on

9/11?"

As usual, there's a lot of confusion about this, and disinformation. You nailed it the day it was happening, on a radio program. How can you answer these inquiries?

LaRouche: Well, first of all, you look at the operation on Sept. 11, as I did. Now, I didn't come into this naïve; I had no idea, that that was going to happen on that day. I don't think many honest people did, however knowledgeable they were. They took us by surprise.

We expected, during August in particular, we expected major destabilizations to target Washington, D.C. We were very concerned about that, at that time. We were concerned about something like the Genoa riots [in late July 2001] but on a larger scale, hitting Washington, D.C. Now, we had a large security problem in the Northern Virginia area, which is related to that. There were other things we were worried about. But, we had no intimation—I didn't—of what happened on Sept. 11.

But, because I knew what was going on in the world—I was sitting on radio, by telephone, and we were listening to these reports, as they came in in the morning. And, very quickly, by the time the second tower was hit, I knew pretty much what was up. And, I made the remark, that "I hope that nobody's stupid enough to blame Osama bin Laden, for this." Because Osama bin Laden's career was built up as an American agent, an Anglo-American agent. That's how he got into business, in connection with the Afghanistan wars, back in the 1980s.

But, the reason I said "Osama bin Laden," is, remember that you had this fertilizer bomb was stuck in the basement of one the towers in the New York World Trade Center. And therefore—we know the famous trial that happened then—and therefore, why would somebody hit these towers? Then, I really had a clearer picture, when Washington was hit—when the Pentagon was hit. And, then we had this report of a fourth plane.

Now, I looked later, and got a confirmation of what I said, and suspected to be the case, as I had said on the radio at that time: That, with one exception, the four planes in question were of the same type, and they were going into the air at the same time. Technically, they could have all hit Washington first. Why would they hit, an admittedly spectacular target, the World Trade Center, and wait to hit Washington later? The normal routine would be to hit Washington first, to get the maximum effect and element of surprise. And immediately, as you did that, hit something else? So why, did they do it that sequence? It made no sense, in one sense: This was not a simple terrorist operation. It was an operation with a *strategic purpose*, and the strategic purpose was to focus the blame for the operation, on the Islamic world. That was obvious. That was obvious to me in the first hour of these events of that date.

Who did it? I don't know, to this day. But, I know a lot about who did—a lot about who did it—but, I don't know who they were. What do I mean? First, of all, an operation of this sophistication could not be run by some dog-and-pony show terrorist. This is a very sophisticated operation, which probably would have required a year to two years' planning. It's a long-term project, very sensitive. This means, that you had to have people who understood fully, the U.S. security system—and I knew a few things about the U.S. security system, from the work I'd done, in connection with the government on the SDI, back in 1982-83. So, I knew something about this stuff. And, it just couldn't happen, unless there was a breakdown, in the security system, which I would have presumed, was functioning; and probably a combination of people who would know, what was *not* functioning.

And therefore, they could get by with this. Because, under a full, alert system, these four planes could not have happened; under a fully functioning security system, as I understood it, was supposed to be in place. So, somebody knew from the inside, exactly how to do this.

What's the purpose? Well, the purpose is obvious. There's only one purpose. If the purpose is not to destroy the United States government, but to commit an act so atrocious, that it forces the United States to go to war against somebody, what's the purpose of the operation? It's to get them, to aim them at some target of war! What was the target? The Arab world. That was the target. And, that target coincided, of course, with the Sharon operation, in Israel. Obvious...

Steinberg: Lyn, we are out of time, today. We're going to have to come back, at another time for the answer. And, people here, send in your questions to Mr. LaRouche. Thank you very much, and see you again, soon, I hope.

Lyndon H. LaRouche, Jr.

Conflict Is Not the Natural Condition Among Men and Nations

The following is Mr. LaRouche's keynote to the EIR seminar in Berlin on Dec. 18, 2002.

"On the 28th of January of this coming year, about five days after President George W. Bush, Jr. will have delivered his State of the Union address, I shall issue mine, which will be broadcast on a webcast at 1 o'clock Washington, D.C. time, which will be 7 o'clock in the evening Berlin time."

Helga Zepp-LaRouche

The Lautenbach Plan And Its Consequences

Here is the translated speech by Helga Zepp-LaRouche, chairman of the Solidarity Civil Rights Movement (Bürgerrechtsbewegung Solidarität, or Bu"So), to EIR's seminar in Berlin, on Dec. 18.

U.S. ECONOMIC/FINANCIAL NEWS

Sinking U.S. Dollar No Longer a 'Safe Harbor'

"What became of the dollar as a safe harbor?" asks a panicked headline in the *Wall Street Journal* Jan. 3, reflecting fears of the imminent death of the international monetary-financial system. The business section front-page article worries that for the year, the dollar is down 17.6% to a three-year low against the euro--its first annual decline since the euro went into circulation in 1999; down 16.6% to a three-year low against the Swiss franc; and down 9.5% against the yen. Foreign investors, the *Journal* notes, have accelerated their pullout (begun in 2000) from U.S. stocks and dollar-denominated assets, moving into gold. (Through October, foreign net purchases of U.S. corporate bonds have plunged by 23%.) The recent rise in gold prices, to five-year highs, is due to the weaker dollar, not the risk of an Iraq war, says the manager of a gold fund. "People are looking for some place, any place else, to put their money."

Labor Department To Cease Publishing Monthly Report on Factory Layoffs

The U.S. Labor Department will no longer publish its monthly report on factory layoffs, because they are laying off the staff that used to prepare it, for lack of funds. Because funding from the Labor Department's Employment and Training Administration (ETA) was cut off on Dec. 31, 2002, the Bureau of Labor Statistics (BLS) will no longer publish the monthly Mass Lay-offs Statistics report, which detailed, by state, the number of layoffs of 50 or more workers for each industry (some due to plant closings), based on new filings for unemployment insurance benefits. The Labor Department could no longer afford the report, about \$6.6 million per year, said Mason Bishop, deputy assistant secretary for the ETA. The final report, issued Dec. 24, said U.S. employers initiated 2,150 mass layoffs in November, affecting over 240,000 workers--with manufacturing industries accounting for 33% of mass layoffs.

"The states have come to rely on this information as an economic indicator and a tool for operational decisions on service delivery and funding allocations for dislocated-worker programs," wrote Catherine Leapheart, president of the National Association of State Work Force Agencies, in a letter to Labor Secretary Elaine Chao.

U.S. Corporate Bankruptcies Shatter Record in 2002

Overall, 186 public companies listing \$368 billion in assets filed for bankruptcy this past year, dwarfing the previous asset-total record of \$259 billion set in 2001, according to tracking service BankruptcyData.com Dec. 30. The debris included five of the 10 largest bankruptcies ever, a list led by WorldCom and including insurance and finance giant Conseco, Global Crossing (telecom), UAL (United Airline's parent) and Adelphia Communications.

Welfare 'Reform' Crushed Under Weight of New Depression Caseloads

Welfare caseloads, which had been slashed by more than half in the late 1990s, following passage of the 1996 Welfare "Reform" bill, are now again rising as official unemployment has reached 6%, wrote *Washington Post* columnist E.J. Dionne of the Brookings Institute in an op-ed Jan. 3. From July through September, 38 of the 50 states, plus the District of Columbia, reported increases (averaging 2.0%) in the welfare rolls--at a time when states are facing "the most dire fiscal situation since World War II," as the Federal government is cutting the value of the block grant to the states to support programs for the poor (part of the 1996 reform). At the same time, "aid to working families not receiving cash welfare is at its highest level since the Great Depression," according to Douglas Besharov of the American Enterprise Institute.

Over the past year (September 2001-September 2002), welfare caseloads increased, by an average 8.5%, in 25 states--four more states than the previous year. Nevada had a whopping 31% caseload increase, and Wisconsin saw a substantial 15.8% increase.

Most states--27 of the 50--have experienced a caseload increase (averaging 12.7%) since March 2001, the "official" start of the "recession." Staggering increases occurred in Nevada (60.1%), Mississippi (26.6%), Wisconsin (23.7%), Arizona (22.6%), South Carolina (22.6%), and Indiana (22.4%).

United, Under Pressure from Creditors, Continues Bloodletting

United Airlines, under pressure from creditors to cut costs, announced Jan. 3 it will eliminate 1,688 more jobs--1,500 of them by Jan. 19. In order to "help meet the strict requirements of its Chapter 11 financing"--slashing \$2.4 billion in annual labor costs--the nation's second-largest airline will fire 1,500 management and salaried employees by Jan. 19. In addition, it will close all 32 remaining city ticket offices, effective Jan. 28, resulting in 188 layoffs. On Jan. 4, the company will close reservations centers in San Francisco, Long Beach, and Indianapolis, resulting in a previously announced 686 layoffs. ([See related article in IN DEPTH.](#))

Angelinos Vote Overwhelmingly To Raise Taxes To Pay for Health Care

"The [health-care] system keeps getting tremendously strained. It is extraordinarily fragile right now," David Altman, the chief medical officer for Los Angeles County's largest trauma center, said, as he welcomed the unexpected passage in November of a tax-increase referendum. Not since California's infamous 1978 anti-tax Proposition 13 has the county fielded a ballot initiative for a tax hike; this one passed by a landslide, with 73% voting in favor of it. At stake is the shutdown of two more public hospitals. The county, faced with a \$500-million deficit, had already slashed medical services, closing 11 clinics, converting one hospital to an outpatient facility, and reducing beds and services at yet another. The new taxes garnered will keep the hospitals open for now, but new cuts loom.

The health-care crisis there is aggravated by three factors. First, the county has 2.5 million residents without health insurance, and of the 800,000 people who seek help at emergency rooms, 75% (600,000) are uninsured. Second, the state's \$35-billion-plus revenue shortfall will leave Gov. Gray Davis and legislators with no choice but to cut benefits and

eligibility in the Medicaid program--unless they wake up and adopt Lyndon LaRouche's economic recovery approach before it's too late. The more than 300,000 citizens who will be cut from the rolls will be forced to rely on hospital emergency rooms, adding further to the fragility of the system. Third, the deepening depression conditions of more layoffs, people losing health coverage, and health services slashed due to budget holes, will increase demand at public hospitals.

The National Association of Public Hospitals and Health Systems reports that half its members now operate in debt, up a third from last year! One example given in a *Washington Post* article Dec. 31 is Michigan. Officials report clinics and hospitals that serve the poor are having to cut hours and offer only core services, due to the state's financial crisis. A Michigan Health and Hospitals Association spokeswoman said, "The economic realities of health care are as bad as ever. Many of our members are trying to hang on, but things are tenuous at best."

Bridge and Toll Road Fees Soar as Government Funds Dry Up

Americans are also paying higher taxes in the form of steep rises in fees for bridges and toll roads, whose costs have begun to spike as states cut capital spending programs and the Federal government withholds new funds, *USA Today* reported Jan. 2. Tolls on San Francisco's Golden Gate Bridge increased from \$3 to \$5 in September, and Michigan authorities plan to hike the \$1.50 toll to \$2.50 on the five-mile-long Mackinac Bridge soon. The 600,000 users of the New Jersey Turnpike likewise will pay a 17% higher toll as of today. Without adequate Federal and state funds, toll authorities nationally, which manage 4,989 miles of toll roads, bridges, and tunnels, are increasing fees to pay for urgent upkeep costs. Many of these structures were built 50 or more years ago, and thus require significant investment for maintenance.

Laid-Off Techies: 'Will Work for Stock Options'

A growing number of laid-off techies are working for stock options, but no paycheck or health benefits, the *San Francisco Chronicle* wrote Dec. 22. Rather than wait for work that may never come, unemployed tech workers are working for free in so-called "equity-only" jobs with start-up IT companies. They are offered stock options and a letter of intent promising to hire them--**if** the company receives funding. Some could lose unemployment benefits that they currently receive. Moreover, state officials warn that such agreements violate state labor laws, which stipulate that all workers must be paid at least the minimum wage. The techies, according to the start-up companies, are not considered employees, but so-called "independent contractors."

Home Foreclosures Surged in Twin Cities' Suburbs

Home foreclosures significantly increased in the wealthier suburbs of Minneapolis and St. Paul, Minn. after the Twin Cities lost nearly 30,000 high-paying transportation and high-tech manufacturing jobs over an 18-month period, the *Star Tribune* reported Dec. 29. By the end of November, foreclosure sales in the newer suburbs of Sherburne County were already up 50% over all of 2001. Foreclosures in Carver County, home to some of the highest household incomes and home values in the region, have almost tripled this year, and personal bankruptcy filings have jumped by 26%.

HMOs Reap Huge Profits as Health Insurance Premiums Skyrocket

Except for Cigna, third-quarter earnings rose by 47% on average for 11 major managed-care insurers, according to a report by a Merrill Lynch analyst, published in *USA Today* Jan. 2. Both premiums and profits are expected to rise again this year. "They did really well financially, and they'll do really well again this year," said Carl Mercurio, the publisher of *Managed Healthcare Market Report*. Premiums are expected to increase by an average of 15.4% this year, while health costs to insurers are expected to grow by 12%, with HMOs using the difference to boost profit.

Phantom Pension-Fund Earnings Were Two-Thirds of Corporate Profits in 2001

If actual pension fund gains--or losses--on investments in the stock market, rather than inflated estimated gains, had been counted in financial statements, overall earnings for the S&P 500 would have been 69% lower than the companies reported for 2001, or \$68.7 billion rather than \$219 billion, according to a study by Credit Suisse First Boston, *Bloomberg* reported Jan. 1. In other words, about \$150 billion in corporate profit didn't exist! In reporting gains they hadn't made, the companies didn't violate any rules--but were following accounting practices as written in 1985 by the Financial Accounting Standards Board.

Weyerhaeuser, the world's biggest lumber company, for example, relied on reported pension earnings for 66% (or \$234 million) of its net income in 2001, assuming an 11% rate of return--but its pension fund actually lost 9.5% on investments.

The pension-fund "time bomb" will reduce reported corporate profit by billions of dollars in 2003, as many of the largest companies pour money into underfunded pension funds.

WORLD ECONOMIC NEWS

Exports to Asia Saved German Industry in 2002

To a great extent, increased exports to Asia saved German industry from drowning in 2002. Whereas imports declined by a total of 4% to a total of 520 billion euros, Germany can report an all-time export record total of 647 billions, 52 billion over the export total of 595 billion for 2001. This means a trade surplus of 127 billion euros, in 2002.

Automobiles, machines and machine-tools, and chemical products were the top categories in exports, with China, Russia, and India being markets with significant increases in purchases from Germany. German exports to China jumped by a total of 19% this year.

The export dependency of German industry, at 35% GDP, is way above that of the United States and Japan, where it is only at 10%. France and Italy remain somewhat behind Germany, with 28% GDP dependency each, still significantly greater than the U.S. or Japan.

Italians Pay More for Pasta, Other Food, in 2002

Inflation for food items in Italy was 30-50% in 2002, says a report by Eurispes, a center-left think tank, according to *Il Nuovo* Jan. 2. According to the report, prices for vegetables, sausages, drinks, and frozen food have risen an average of 29%. Eurispes uses methods different from Istat, the public statistic agency, but applying Istat methods, Eurispes achieved for the same group of items the figure of 13%, still a remarkable increase.

Single items increased as following: vegetables 50.8%; drinks 32.9%; canned food 30.9%; sausages 27.5%; frozen foods 23.6%. The price of carbohydrates (i.e., rice and pasta), a staple consumption item among Italians, increased 20%; coffee by 37%; mineral water by 48%. Generally, Eurispes calculated that Italians spent 343 euros more per capita on food in 2002.

Dramatic Drop in Mexico's Maquiladora 'Industry'

The drop in employment in Mexico's maquiladora "industry"--which was touted as the savior for the country's economy--

has been dramatic throughout the country's northern region. In Baja California Sur, employment through October of 2002 declined by a whopping 43%, while in Sonora, the decline was 17.4%, compared to the same period of 2001. Big drops also occurred in Nuevo Leon, Chihuahua, Guanajuato, Puebla, Mexico State, and Zacatecas, all due to the cancellation of *maquiladora* "programs," which produce solely for export, and have nothing to do with Mexico's physical economy. Textile and electronic assembly plants were particularly hard hit. Activity in plants that assemble electronic components dropped by 15.2% annually.

Argentina Unemployment 'Miraculously' Reduced--Through Statistical Fraud

Statistical fraud "miraculously" reduced Argentina's unemployment from 21.5% to 17.8%, as of October, *Clarín* reported at the end of December. As the national statistical agency INDEC explained, the drop is due only to government-sponsored social programs which provide a minimal monthly subsidy of 150 pesos to heads of households, in exchange for a few hours of work. The latter is then counted as "employment" for 2 million people, although 798,000 of them actually do no work at all! Put another way, 71% of all "new jobs" between May and October of this year were accounted for by the government's head of household plans. INDEC president Juan Carlos del Bello said that without these programs, "unemployment would have been more than 23%."

At the same time, poverty for the May-October period reached a shocking 54.3% of the population for the capital of Buenos Aires and the surrounding metropolitan area. Had it not been for social programs, del Bello admitted, instead of 24.7%, indigence would have been at 27%; poverty would have risen to 54.7% nationwide.

Argentina Bows to IMF Demand; Lifts Some Exchange Controls

Reversing strict controls imposed by Finance Minister Lavagna last September to protect the country's dwindling reserves, on Dec. 26 the Argentine Central Bank raised from \$100,000 to \$150,000 the monthly ceiling on individuals' purchase of dollars, and also made it easier to send dollars out of the country. Other measures passed included raising the percentage of its total capital that a bank may hold in dollars; removing limits on interest payments on debts contracted abroad; extending to one year the timeframe for exporters who sell capital goods abroad to liquidate their reserves, and authorizing prior payment of 100% of the cost of capital goods, spare parts, and other goods purchased abroad.

As soon as Lavagna imposed the controls in September, the Fund griped that they were "too rigid," but shut up when it became clear that the measures were allowing the Central Bank to build up its reserves, as well as prevent further instability in the exchange rate. More recently, the Fund has demanded the lifting of controls as its conditionality for the granting of a "transitional" accord that would extend only through August 2003, and would allow for the refinancing of some \$8 billion in debt. Lavagna reportedly agreed to this.

The lifting of controls having gotten under way, IMF Director "Dragon Lady" Anne Krueger said that everything now hinged on the Supreme Court's Dec. 30 decision on whether to re-dollarize bank deposits that had been forcibly converted to pesos early this year. Now, the court has said it will move back that decision until sometime in 2003.

Italian Says IMF Will Sign New Pact with Argentina Soon

Italy's Undersecretary for Foreign Affairs Mario Baccini is certain that the IMF will sign a new agreement with Argentina very shortly. Baccini just returned from Brasilia, where he represented his government at the inauguration of "Lula" da Silva, and reported that while there, he held "important" bilateral talks with John Maisto of the U.S. National Security Council, and with Argentine President Eduardo Duhalde and Foreign Minister Carlos Ruckauf. Out of these discussions, Baccini said, "It emerged that Argentina is near an agreement with the IMF, a paramount step towards the solution of the crisis."

Italy has played a central role in supporting Argentina in its fight with the IMF, and urging the Fund to come to an agreement quickly. However, no one should have any illusions that any new deal with the Fund means a solution to Argentina's crisis. President Duhalde is deluding himself that his country is already on the path to recovery, and that an agreement with the Fund will consolidate this. The word out now is that Argentina will sign a "pre-agreement" with the IMF on Jan. 8, perhaps motivated by the fact that the country has \$1 billion due to the Fund on Jan. 15. Baccini said he wanted the Argentine government to repay Italian investors holding Argentine bonds, and expected to visit Buenos Aires as soon as the deal with the Fund is signed.

Thailand To Pay Off Its IMF Debt by July

Thai Finance Minister Somkid Jatusripitak announced Jan. 2 that the outstanding \$4.8 billion the kingdom owes to the IMF will be paid out in three installments over the next six months, starting with the first payment later in January, with the third and final payment by July, *Business Day* said Jan. 3. The payoff will save Thailand an estimated \$126 million in interest.

In his New Year's message, Prime Minister Thaksin Shinawatra called the planned payoff a "symbolic liberation" from the IMF, as Thailand "will be free and does not have to seek help or give anybody more bargaining power, or to make demands on us." In the summer of 1997, when Thailand lost in its attempt to beat international speculators at their own game, the kingdom borrowed \$12.8 billion from the IMF.

UNITED STATES NEWS DIGEST

State Department Spokesman Refutes Leak on Sanctions Against North Korea

State Department spokesman Philip Reeker on Dec. 30 refuted the anonymous leak to the Dec. 29 *New York Times* on sanctions against North Korea. Asked if the U.S. sanctions on North Korea would be re-imposed "in light of what has happened over the last two or three [days]," Reeker responded: "I don't think anybody has suggested at this point imposing sanctions, The Secretary [Colin Powell] has not asked any nation to take economic action against this desperately poor country, North Korea." The reporter pushed him, asking if he were "absolutely confident that there's no consideration of it," but Reeker said no, and pointed to Powell's several interviews on Dec. 29 in which he asserted that the U.S. is looking for a diplomatic solution to the crisis; Reeker said, "That's what we're focussed on."

President Bush: Korea Crisis Can Be Solved Peacefully

Twice in three days, in remarks to the White House press pool at his ranch in Crawford, Texas, President Bush has reiterated that he believes the crisis over North Korea can be resolved peacefully.

On Dec. 31, in response to provocative questions from reporters, President Bush said that the North Korea situation is not a military but a diplomatic showdown.

Bush was asked by a reporter: "I'd like to ask, if I could, why are you not considering military action against a defiant, unstable, unpredictable nuclear-armed North Korea?"

"I view the North Korean situation as one that can be resolved peacefully through diplomacy," Bush responded. "The international community, particularly those countries close to North Korea, understand the stakes involved."

"I had a very good visit with President-elect Roh of South Korea," the President added. "I've obviously talked to [China's] Jiang Zemin right here in Crawford about a nuclear weapons-free peninsula. There's strong consensus, not only amongst the nations in the neighborhood and our friends, but also at the international organizations, such as the IAEA, that North Korea ought to comply with international regulations. I believe this can be done peacefully through diplomacy, and we will continue to work that way and take--all options of course are always on the table for any President, but by working with these countries, we can resolve this."

"So you're not currently contemplating military action?" a reporter asked.

"I believe this is not a military showdown," Bush said. "This is diplomatic showdown. And we can resolve this peacefully and intend to work to resolve it peacefully. We've got good progress in talking to our friends. And I look forward to the fact that [South Korean] President-elect Roh is sending some people over here and that he himself will come after he has been inaugurated."

Again, on Jan. 2, the President repeated to reporters, "As I said, it's a diplomatic issue, not a military issue, and we're working on all fronts."

The Jan. 2 *Washington Times* reported that the Bush Administration plans to continue food shipments to North Korea, despite the flare-up over its nuclear reactor. "We expect to continue providing the same level of aid to the [UN] World Food Program in Korea as we have in the past," a senior Administration official is quoted as saying. "We don't use food as a political weapon."

In fact, as Lyndon LaRouche has specified, the Bush Administration ought to massively *increase* the amount of food being shipped to North Korea, not simply maintain it at the existing level.

Al Gore's Svengali Says Bush Is a Wimp for Not Bombing North Korea to Pieces

In a New Year's Day op-ed in the *New York Times*, Al Gore's former national security adviser and controller Leon Fuerth gave a different perspective to Gore's criticism of the Bush plans for war on Iraq, by declaring that the President is in essence a wimp for failing to use his "preemptive war" strategy against North Korea, as a prime example of a country that builds and proliferates nuclear technology and weapons of mass destruction. Although Fuerth himself writes, "War on the Korean peninsula is almost too horrible to contemplate," he nonetheless proceeds to contemplate it with gusto.

He concludes that Bush should "reverse course and engage with North Korea. However, if such a process doesn't stop the North Korean nuclear enterprise, and quickly, then the administration must either accept a monumental blow to the security of the U.S., or prepare for a second major military enterprise in Korea--one that would take place simultaneously, or nearly so, with action against Iraq."

Rangel, Conyers Call for Restarting Military Draft

Two prominent members of the Congressional Black Caucus will ask the House of Representatives to reinstate the military draft. "If indeed the President believes war is necessary in terms of our national welfare, then he has to believe that sacrifices have to be made, and those sacrifices have to be shared," Rep. Charles Rangel (D-NY) said. "We have to kick up a notch the sense of patriotism and the sense of obligation." The other CBC member who will call for reinstatement of the draft is Rep. John Conyers (D-Mich).

In an *NPR* interview Jan. 3, Rangel focussed on Congress's cavalier attitude toward going to war against Iraq. He pointed to

a recent study which showed that no member of the House has a son or daughter in the military, and only one member of the Senate does.

On *NBC's "Today"* show this morning, the host asked if he was including in the people who don't understand what war is like, the President and Donald Rumsfeld. "Are you talking for all those people in the higher echelon, all the way up to the top, not being aware of the cost of minorities? Are you saying that?"

Rangel answered: " After you get past Colin Powell, they haven't the slightest clue as to the pain of war, the sacrifice of war...."

"Wait a minute," said the host. "You're talking about Donald Rumsfeld, the Defense Secretary. You're saying he doesn't have an idea of the cost, the pain of war? The President of the United States?"

Rangel (who was awarded a Purple Heart and a Bronze Star) responded: "Well, when Rumsfeld gets on television and says, 'We can fight more than one war at a time; we can fight in North Korea; we can fight in Afghanistan; we can fight'--when the President of the United States says, 'I've made a New Year's resolution to eat less cheeseburgers, and not to go to war in Iraq if I can avoid it'--that's no way to be talking about war."

Rangel continued, saying, "When I talk with people who support the war, I ask, 'Do you have any idea, do you know anybody who has anybody in the military that would be exposed to this pain and this sacrifice?' And they don't, because these people are not able to negotiate for themselves. And others have treated this as though it was the French Foreign Legion. After all, they volunteered. They're being paid to fight. And a lot of those kids and their families have been on food stamps."

Appeals Court Upholds Use of Secret Evidence

A Federal appeals court ruled Dec. 31 that the government can freeze the assets of a U.S.-based Islamic charity that it claims is linked to al-Qaeda without providing its evidence to defense lawyers. The ruling upholds a key element of the USA Patriot Act and other counter-terrorism measures implemented after the Sept. 11 attacks.

A three-judge panel of the U.S. Seventh Circuit Court of Appeals in Chicago held that the government had the right to freeze the assets of the Global Relief Foundation in 2001 because of allegations that it was tied to terrorism--and that it could do so without presenting its evidence in a public forum.

Georgetown University law professor Jonathan Turley called the ruling "precedent-setting," and noted that before 9/11, defense lawyers in cases involving national security were given either special clearance to review classified information or specially edited versions of such documents. But "since Sept. 11, the government has said it would share nothing with defense lawyers," he said. "This is a problem that has become evident in a variety of areas--the freezing of terrorist assets, the Moussaoui case, the Guantanamo detainee cases."

Roger Simmons, a lawyer for Global Relief, said the ruling was a continuation of unfair U.S. government actions that have effectively shut down one of the largest Islamic charities in the world, since the Treasury Department first linked it to terrorism more than a year ago. "What's bad about this is that the key issue in the case is the question of whether we supported terrorism, and that the government can rely upon secret evidence to make its case. How do you go about proving your innocence when the government can rely on secret evidence that you can't even see?" Simmons argued that Global Relief has not been charged with any crime, and that its leaders have never been accused of violence or supporting terrorism of any kind. "If there is such evidence," he said, "it's evidence I've never seen."

The appellate court did say that Global Relief had a right to contest the specific allegations levelled against it, and it ordered a hearing on the issue at a lower court level.

L.A. Times: Is Wall Street Sending Dire Message?

A *Los Angeles Times* New Year's Day analysis by Tom Petrino warns that three consecutive years of Wall Street losses may reflect more than the deflating of the 1990s stock market speculative bubble. "Beyond the obvious financial pain to tens of millions of investors in this extended decline, there is the question of whether it also holds a dire message: Is the stock market warning that something is, or soon will be, terribly wrong with the economy?"

The author cited the rise in gold prices, and the shift of American household funds into savings accounts--even though they are yielding interest rates of less than 1%--as indications that there is grave concern about a further economic shock, even beyond the layoffs and other manifestations of the current economic downturn. Since the beginning of 2000, deposits in U.S. household savings accounts have increased from \$1.7 trillion to \$2.7 trillion. In the same timeframe, investments in mutual funds have gone from \$4 trillion down to \$2.4 trillion.

David Levy, chairman of the Jerome Levy Forecasting Center, told the *L.A. Times* that, even if there is no Gulf war, the prospects of a deep economic recession in 2003 are higher than 60%. While these are tame statements, compared to the actual reality of the systemic crash process, the New Year's looming disasters have, for a change, not been kept out of the major media.

Free-Trade Accord Between U.S. and Ibero-America Faces Fight from States

The Bush Administration, trying to get a hemisphere-wide free-trade pact (the Free Trade Area of the Americas), faces likely demands from Brazil and other countries for concessions in citrus, sugar, steel, apparel, and other industries centered in states such as West Virginia and Florida, that will be key to Bush in the 2004 election. Brazilian President-elect Lula has indicated that Bush and U.S. Trade Representative Robert Zoellick would have to cut subsidies, tariffs, and quotas on sensitive items--especially farm products--if they want his cooperation.

The highest hurdles, say U.S. trade officials, involve the citrus and sugar industries, and the key electoral state of Florida, home to the \$9.1-billion-a-year citrus industry with 90,000 employees in the state. Senator Mary Landrieu (D-La), who won a run-off for the Senate seat in December in part because she claimed the Administration was preparing to make such concessions on sugar, has promised to fight any effort to loosen restrictions on sugar imports. "We cannot have this industry devastated by this kind of political deal-making," she said. Sugar- and citrus-industry lobbyists are planning a joint strategy--rallying Congressional allies and pressuring Zoellick--for protecting tariffs, subsidies, and quotas.

New York Times Editorial Calls for End to 'Southern Strategy,' Keeps Mum on Own Confederate Roots

The Dec. 29 *New York Times* ran a lead editorial on Sunday under the headline, "Up From the Southern Strategy," calling on President Bush to demonstrate, in a new bipartisan policy agenda, that the GOP is ready to move "beyond the shabby era of the Southern strategy." The editorial noted that "The Republicans' need for a makeover was evident to party strategists even before Senator Lott's alarming self-immolation. In analyzing the results of the 2000 election, party officials analyzing the embarrassing 500,000-vote popular margin won by Al Gore realized that they had essentially maxed out on four decades of pandering to angry white males." Bush won only one in 10 black votes in 2000--the worst Republican showing since Barry Goldwater in 1964.

Briefed on the *Times* editorial, Democratic Presidential pre-candidate Lyndon LaRouche focussed on what the *Times* failed

to mention. The key to Nixon's so-called Southern Strategy was that the hard-core fascists within the Establishment seized on the fact that, with Lyndon Johnson's civil rights legislation of 1964-65, the Southern Democrat "Boll Weevils" declared they had been "betrayed" by the President. Key to the Nixon strategy was the deal with these Boll Weevils, typified later by people like Phil Gramm. In missing this vital point, LaRouche observed, the *New York Times'* Confederate roots were showing.

The Race Begins: Democrats Out of the Starting Gate for 2004

On Jan. 4, Congressman Dick Gephardt (D-Mo) announced that he would be running for the 2004 Democratic Presidential nomination. Gephardt was forced out of the House Democratic Leadership post after November's Democratic election defeats, and after he came under harsh criticism for having backed President Bush's war powers resolution against Iraq. Gephardt tried for the nomination in 1988, but ran out of money early in the primaries and dropped out.

Also declaring he was forming an exploratory committee was North Carolina Democratic Senator John Edwards. A former personal injury attorney who made millions in that unsavory business, Edwards is two-thirds of the way through his first Senate term, having never been elected to anything previously; some think he represents the Democrats' "Southern Strategy."

The Rev. Al Sharpton of New York has also indicated he will seek the Democratic nomination. The first to form an exploratory committee was Sen. John Kerry (D-Mass), and other hopefuls will likely include Senators Joe Lieberman (D-Conn) and Tom Daschle (D-SD).

The most important candidate for the 2004 Democratic Presidential nomination is, of course, Lyndon LaRouche, who was the only Democrat to seriously challenge Al Gore in the 2000 primaries.

IBERO-AMERICAN NEWS DIGEST

'Lula' Inaugurated President of Brazil; Which Way Will He Go?

Luiz Inacio "Lula" da Silva was sworn in on Jan. 1 as Brazil's President, before a raucous crowd of 200,000 people, including foreign dignitaries from 100 countries. In an unobvious message that it intends to let the Free Trade Area of the Americas (FTAA) define its relationship with Brazil, the Bush Administration sent Trade Representative Robert Zoellick as its representative to the inauguration.

Lula's inaugural speech reflects the mistaken idea that it's possible to carry out his electoral promises of social change, job creation, fighting hunger and poverty, and ensuring national development, while at the same time complying with the IMF's demands for greater austerity in order to ensure prompt debt payment. What Lula and his team will shortly discover is that these two policies cannot exist in the same universe. Recall Lyndon LaRouche's remarks to the Mexican daily *Excelsior* on Nov. 19 and 21: Compliance with IMF demands will collapse Brazil and set off a chain reaction that will bring down the IMF system. But rejection of these demands would also blow out the U.S. banking and IMF systems. "This puts Lula in an interesting situation, whether he wished it, or not," LaRouche said. (See [EIW #38, LATEST FROM LAROUCHE](#) for full text of interview.)

What direction Lula will go, remains unclear. In his speech, he reiterated his determination to bring needed economic changes to Brazil, emphasizing that "combatting hunger" and bringing about social change are his top priorities. The neo-liberal model has produced only "stagnation, unemployment, and hunger." Brazil has done many extraordinary things in its history, he said, but "it has not conquered hunger." Now, "we are going to do away with hunger in our country," he said,

and "creating jobs will be my obsession," noting that he has a tremendous popular mandate to make these changes.

At the same time, however, he continues to argue that he can accomplish these goals within the framework of the current, dying world monetary system. He emphasized that "the stability and responsible management of public finances" will also be a priority for his government, understanding that change is "a gradual process ... not a simple act of will or voluntarist delight." Thus, he said, he will proceed with caution, while carrying out specific "reforms" that the IMF has harped on for years: reforming the social security system [getting workers to contribute more to the system], "tax reform, political reform, and [reform of] labor legislation," which he said were necessary to ensure national development. On the FTAA negotiations, he stuck to his standard formulation that Brazil will fight for "better regulations" and advantages within the globalized economic system, in which the main culprit was described as agricultural subsidies to farmers in the industrialized nations. Brazil will fight this "protectionist" trend, and demand an end to tariff barriers.

New Finance Minister Antonio Palocci was more specific in his inaugural speech, on the policies the IMF demands, particularly emphasizing that Lula's government will do nothing to jeopardize "the sustainability of Brazilian public debt."

'Lula' Cabinet a Mixed Bag; Conflicts Loom

Brazilian President Lula's cabinet is a mixed bag, reflecting the disparate policy directions competing for control of the new Administration. The Jan. 1 *Financial Times* and *Bloomberg* wire service are especially pleased with Finance Minister Antonio Palocci, whom the *Times* notes is an advocate of "economic orthodoxy." In addition to a promise to "guarantee unequivocally the sustainability of Brazilian public debt," he told the London daily there would be no "exotic measures, breach of contract, or fiscal irresponsibility," and that "tight fiscal and monetary policy" would be the rule of the day. Palocci came out of a private meeting with U.S. Trade Representative Robert Zoellick, stating that the meeting had created an important channel for direct dialogue with the Bush Administration, while Zoellick mooted the possibility of collaboration between the U.S. Treasury and Brazil's Finance Ministry.

Another Cabinet member favored by the *FT* is Environment Minister Marina Silva, a key asset of the Malthusian "Green Mafia," with which the LaRouche organization has been in head-to-head combat for years. Silva reflects "the new class of politician coming to power" with Lula, the *FT* gushed. The new Culture Minister is Gilberto Gil, a pop music star who reflects the most wretched aspects of Workers' Party policy.

One interesting counterpoint is the fact that new Foreign Minister Celso Amorim, a career diplomat, has rehired Samuel Pinheiro Guimarães to serve in the No. 2 spot as Secretary-General of Itamaraty (Foreign Ministry). Pinheiro Guimarães is an outspoken critic of the FTAA, and under the Cardoso Presidency, made such violent attacks on this scheme—Brazil should not be part of it, he said—that he was fired by now-former Minister Celso Lafer. Observers claimed to be "perplexed" by Amorim's choice of Pinheiro Guimarães, as it supposedly "contradicted" the new Minister's expressed foreign policy stance. But when a reporter asked Amorim if hiring Pinheiro meant that the FTAA negotiations were in jeopardy, Amorim replied "that depends on Zoellick," adding that Pinheiro would follow the foreign policy elaborated by the President. In his swearing-in speech, Amorim made an undisguised attack on U.S. unilateralism, and called for a peaceful solution to the Mideast conflict.

Venezuela Faces Civil War as Crisis Deepens

As the New Year opened, Venezuela's existential crisis continued to deepen. The nation remained paralyzed by a general civil strike that began on Dec. 2, as marches of hundreds of thousands were held in the capital Caracas, two and three times a week right through Christmas and New Year's. Over the course of the strike, which has shut down the all-important oil industry, the opposition's demands have stiffened, as they insist the strike will continue until the terrorist-linked "Jacobin" President Hugo Chavez leaves office, and new elections are held.

Chavez's opposition, however, has offered no positive plan of government, and no vision for the future upon which to win over the primarily poor people who support Chavez out of anger and desperation. Rather, they have adopted an approach that would strengthen the terrorist element which has surrounded President Chavez. Worse, international forces associated with the war-mongering "Chickenhawk" faction in the U.S. government, are heavily deployed with elements of the anti-Chavez opposition in Venezuela to use the crisis to launch "anti-terrorist," supranational military action in Venezuela and elsewhere in Ibero-America. Such an approach would only succeed in igniting general right-vs.-left warfare across the continent.

Chavez, for his part, reiterated on Dec. 29, during his regular Sunday multi-hour television spectacular "Hello, President!" that "I'm never going to leave," because he's so "happy, very happy," in office. He then used his Jan. 1 message to the nation to rally the hard-core Jacobin apparatus which surrounds him, to prepare for battle in 2003, to defend their "revolution."

One of Chavez's closest military allies, Gen. Raúl Baduel, commander of the Army's 4th Armored Division and its special forces brigade, gave an interview on Dec. 29, defending the Chavez project, to one of the top people active in the terrorist support apparatus in the Americas, Heinz Dietrich Steffan. Baduel's interview was published by *Rebelión*, an Internet website which serves as a clearinghouse for the propaganda of every terrorist group in the Western Hemisphere. Next to the interview with Baduel, for example, *Rebelión* posted a communiqué from the Central Command of the Colombian-based FARC narcoterrorists.

The Baduel interview served to highlight the strategic alliance that Chavez has maintained with the FARC in recent years.

To help break the impasse, U.S. Presidential pre-candidate Lyndon LaRouche issued a statement Dec. 21 on Venezuela, identifying Chavez's evident clinical insanity as a flank from which world and Venezuelan leaders could address the dramatic and rapidly escalating crisis in the country. The Venezuelan crisis represents a significant security threat to the Americas as a whole, he warned, which, added to the overall explosive situation throughout the hemisphere, threatens to become the detonator which sets off the entire bomb. Most of the other options on the table—including coups, assassinations, or supranational intervention—will only trigger a chain reaction and spread the problem across the region. LaRouche stated emphatically, "We don't want an 'Allende solution' to the Chavez problem." LaRouche's statement was published in [EIW #42, in the LATEST FROM LAROUCHE](#) section.

Mexican Farmers Postpone Actions on NAFTA Agriculture Tariffs—For Now

Mexican farm organizations postponed a planned Jan. 1 closure of U.S.-Mexico border crossings to protest the lifting of agricultural tariffs. The government negotiated the 20-day reprieve, by promising to draw up a "National Accord for the Countryside" during that time, in negotiations and discussions with the farm sector. President Vicente Fox has repeatedly stated that his government would not put off implementation of the NAFTA accords on agriculture, but under pressure from farmers, the regime apparently opted to "promise them anything" to gain a little time. Economics Secretary Luis Ernesto Derbez claimed, in announcing that an agreement had been reached to postpone the protest, that the government would carry out a "joint evaluation" with the farm sector on the possibility of requesting a revision of the agriculture section of NAFTA.

One factor which helped cool the situation somewhat, was an agreement reached between the Fox and Bush Administrations, removing chicken parts from the list of farm products upon which all tariffs were lifted Jan. 1. The agreement negotiated reportedly would have chicken parts, which had enjoyed a 99% tariff in 2001, and 49% tariff in 2002, go back to a 99% tariff in 2003 (instead of zero), in return for Mexico's lifting quotas on imports of whole turkeys and chickens. Tariffs on the parts would then be reduced by 20% a year, over the next five years. The Fox government was

eager to protect the chickens, given that the poultry industry in Mexico—the world's sixth largest—employs nearly 1 million Mexicans, but it was widely reported that the reason the Bush Administration was willing to make "concessions," is that two of Mexico's three biggest poultry producers are the cartels—Tyson Foods, Inc. and Pilgrim's Pride Corp.—and they got the U.S. poultry councils to lobby in favor of the deal.

Mexican Officials Expect 20% Increase in Emigration to U.S. Due to NAFTA

Mexican government officials project an increase of up to 20% in emigration to the United States, because of the NAFTA accords on agriculture. The projection was made by Mario Riestra, national coordinator of the Federal government's migrants assistance program, who acknowledged that the problem is that Mexico is not generating the 15-20% increase in jobs which the country requires. A state official involved in migrant affairs, Fabian Martinez of the House of the Mixteco Migrant, warned that the abandonment of farm land by peasants leaving to seek jobs in the U.S., creates long-term problems in the fertility of Mexican agricultural lands. When they return 15 or 20 years later, the land has become unproductive.

Infant Mortality Reaches African Levels in Parts of Argentina

Infant mortality in one Argentine town "is only comparable to African countries," warned Dr. Luis Marcelo Albaca, in *Clarín* Dec. 29. Eighteen children have now died in the northern province of Tucuman over the past two months. In the town of Simoca, where the latest victim died, Dr. Albaca says conditions "are dramatic. There is a level of malnutrition and infant mortality only comparable to countries in Africa and regions of India, and the nation does nothing!" He harshly criticized the "Operation Rescue" program set up with great fanfare by First Lady Hilda "Chiche" Duhalde, calling it "inefficient and demagogic." It set up a small dispensary a few blocks from the Simoca hospital, "when what it should have done is go into remote and inhospitable zones, where people can't get [medical] assistance," Dr. Albaca said. In Simoca alone, there are 2,000 children diagnosed with malnutrition, while province-wide, 11,790 children have been confirmed to be suffering from various stages of malnutrition, out of an estimated 18,000. And this is only in one province.

WESTERN EUROPEAN NEWS DIGEST

'No Reason To Panic,' Says Eddie George, as British Housing Bubble About To Burst

In public statements on Jan. 3, Bank of England Governor Eddie George described the rate of increases in British housing prices as "clearly unsustainable." This year the rates will certainly come down, said George; however, contrary to fears spreading in the country, he insisted there will be no collapse of the housing market, and no "sharp crash in house prices." He added that due to "remarkably strong" employment, "it was not easy to see why there should be a crash."

In respect to the overall British economy, George tried to play down recent alarming reports coming from the retail sector and industry. People "should not place too much weight on particular surveys," like the Chamber of British Industry (CBI) survey on poor Christmas sales, as these figures are always subject to "short-term fluctuations."

On Jan. 2, the *Times* of London prominently ran an editorial by Andrew Oswald, Professor of Economics at Warwick University, urging British house owners to sell their property before the inevitable crash. Under the headline "Your Boom Is Nigh: The Great Housing Catastrophe," Oswald stated, "The crash will probably start something like this: In the spring of this year it will begin to be generally recognized that house prices have stopped rising. Purchasers will cease to be enthusiastic. Many with buy-to-let properties will begin to sell. House prices will shudder. Then, by late summer, I see confidence in housing ebbing more substantially. Prices, even outside slowing London, will crumble. Headlines will appear: house prices fell 4% last year, 8% last year, perhaps 12%. Panic will thus set in."

'Behind-the-Scenes Diplomatic Furore' in London, Washington

What the London *Mail on Sunday* of Dec. 29 described as a "behind-the-scenes diplomatic furore" has broken out in London and Washington: Prince Charles has been told to abandon his plans for a February-March 2003 trip to the U.S., because leading figures in the Bush Administration are angered by his opposition to a war in Iraq.

The trip was reportedly cancelled on the advice of British diplomats, the paper says in its lead article, under the headline "Bush to Charles: We Don't Want You in USA." It quotes an unnamed "senior Whitehall official" to the effect that "A week-long tour was in the diary for February or March 2003. But the Prince has been politely informed his views on the current [Iraq] crisis might not go down well."

According to the *Mail on Sunday*, Prince Charles privately "believes an attack on Iraq would lead to a devastating and permanent rift between the West and the Islamic world. Charles believes his views mirror those of the British people—a majority of whom oppose war on Iraq."

EIR is trying to confirm this story.

Opposition to Iraq War Erupts in British Cabinet

Opposition to an Iraq war has erupted from within British Prime Minister Tony Blair's Cabinet, as International Development Secretary Clare Short declared Dec. 28: "An all-out war that causes devastating suffering to the people of Iraq would be wrong." The *Mail on Sunday* asserts that her comments "embarrassed Downing Street."

Short, interviewed by the *Sunday Times* of London Dec. 29, said that while she used to dismiss talk of a "clash of civilizations" as ludicrous, now "you can see it coming true before our eyes." She claimed that some people, centered in the U.S. war party, "yearn for having two sides again, and a war of civilizations, so they know what to do." This, she charged, is hurtling the world toward "madness," and toward potential "meltdown," the latter only preventable by "making the world more just."

She also said she saw growing pressure to stop what would appear to be "inexorable" steps toward conflict: "If you listen to the Pope, the Archbishop of Canterbury, European powers, African governments, Asian governments, they don't want it." A war could involve disastrous scenarios that "must be avoided at all costs," she insisted. The UN inspections must be given a chance: "We don't have to lose our patience in two weeks, and destroy everything."

The Return of 'Cheriegate'

After Britain's "Cheriegate" scandal had lain dormant for some time (that's the scandal involving Tony Blair's wife Cherie, her use of a convicted felon and conman as an intermediary in real-estate-buying schemes, and her subsequent lying about it), the Dec. 29 issue of the *Mail on Sunday*, the Tory-leaning paper which started the scandal, has revived it.

The latest salvo reports on charges by the conman, Peter Foster (who has run afoul of the law in his native Australia, in the U.S., and in Britain), that the Blairs are corrupt, and that Cherie knew all along who and what he was, when she used his services to buy an apartment in Bristol. Foster said that Downing Street "lied. It's as simple as that."

Beyond this, he revealed that he has written 300,000 words of his autobiography, hinting that "the final chapters dealing with the Cheriegate scandal could be damaging to the Blairs." Foster told the *Mail* that "I think Downing Street is nervous."

Another *Mail on Sunday* article, by Peter Dobbie, asserted that, as the days go by, it is increasingly unclear who will be a "safer bet" to be in power one year from now, Blair or Saddam Hussein. Dobbie says Blair will be further dragged down by Cherie's problems, but Blair's own difficulties go far beyond that, largely centering on discontent with support for an Iraq war.

Over New Year's, in a *BBC* poll of 15,000, respondents were asked for whom they would vote, to join a "Hall of Shame"? The winner was Cherie Blair, with 31% voting her in. In another question, which asked respondents whom they would most like to see deported from the UK, the second-highest total went to Sheikh Abu Hamza, the leading al Qaeda-related cleric in Great Britain. The highest total went to Cherie Blair.

Meantime, the latest polls in Britain show Tony Blair's approval ratings dropping to their lowest level since he came to power in May 1997—below 40%.

Italy: Food Price Inflation Was 30-50% in 2002

According to a year-end report by Eurispes, a center-left thinktank in Italy, the inflation in Italian food prices was 30% to 50% in 2002. According to the report, prices for vegetables, sausages, drinks, and frozen foods have risen an average of 29%. Eurispes uses methods different from Istat, the Italian public statistics agency, but applying Istat methods, Eurispes arrived at a figure of 13% for the same group of items, still a remarkable increase.

Single items increased as follows: vegetables, 50.8%; drinks, 32.9%; canned food, 30.9%; sausages, 27.5%; frozen foods, 23.6%. The price of carbohydrates (pasta, rice, bread), a most popular consumption item among Italians, increased 20%; coffee by 37%; mineral water by 48%. Generally, Eurispes calculated that Italians spent 343 euros more per capita on food in 2002 than a year earlier.

Germany, France To Coordinate Iraq Policy at UN

German Chancellor Gerhard Schroeder and French President Jacques Chirac have agreed to coordinate policy on Iraq, at the United Nations. During a phone conversation the two agreed that their governments would consult on the issue and political moves, at the United Nations Security Council. France chairs the body in January, and Germany in February, the crucial two months ahead.

Pope John Uses New Year's Message To Call for Peace

"The tragic and long-lasting tension in which the Middle Eastern region finds itself, makes more urgent the search for a positive solution to the fratricidal and senseless conflict that has been bloodying it for too long," Pope John Paul II declared in his New Year's message. "Today, as in the past, despite serious and repeated attempts to upset the peace and harmony of peoples living together, peace is possible and necessary." The Pope delivered his New Year message in St. Peter's Basilica. He repeated his call for world leaders to secure Mideast peace later on New Year's Day, in his weekly Angelus address before another audience of thousands of worshippers in St. Peter's Square. The Pope warned the world leaders that they would be held accountable if they failed to defuse the crises.

He has urged that the Iraq situation be peacefully resolved through the UN Security Council.

Russia and Central Asia News Digest

Russian Foreign Ministry: We Did Not Sign On to 'Regime Change'

In year-end statements, Russian Foreign Minister Igor Ivanov and Deputy Foreign Minister Yuri Fedotov stressed that Russia's collaboration with the United States vis-à-vis Iraq is channelled through the UN Security Council and circumscribed by the UNSC Resolution 1441 on Iraq's not having weapons of mass destruction. It does not encompass "regime change" or a war for some other purpose.

Ivanov took part in a round table on foreign policy, broadcast Dec. 22 on Vladimir Pozner's *Vremena* program on Russian national TV channel 1. Pozner asked if Russia shouldn't throw its lot in more decisively with the United States, "regarding military plans against Iraq, and take part in that," since "as an ally of the victorious side, Russia would receive a considerable part of the pie, which is an oil pie." Ivanov replied that Russia is working for the implementation of Resolution 1441, with the goal "that there be no weapons of mass destruction in Iraq." He said, "This is what we should be working for. If somebody wants to pursue other goals, those goals lie outside the framework of our interests. Why should we join a military operation, on the basis of what? For what purpose?"

Fedotov gave an interview to *Itar-TASS* on Dec. 26, which the *Financial Times* of London covered the next day under the headline, "Moscow urges U.S. not to violate international law." Fedotov "reiterated Moscow's opposition to President George W. Bush's demand for 'regime change,' arguing that there is no basis in international law for such an attempt, and that only the Iraqi people themselves should decide the fate of Saddam Hussein. Asked what Russia would do if the United States took military action, Fedotov said he preferred to concentrate on diplomatic efforts to avoid such a situation." He also warned that "there could be serious consequences in terms of a 'critical mass' of conflicts in Iraq and Israel, an escalation of terrorism, and renewed tensions in Afghanistan."

Fedotov said the UN inspectors' work was proving "constructive," and that "now there is a chance to resolve the situation in the political sphere," adding that there is now the prospect that sanctions could be lifted by the end of July 2003.

Russia Criticizes Limits on Humanitarian Shipments to Iraq

In the last week of 2002, the United States pushed through new restrictions on the list of products that are allowed to be supplied to Iraq. The UN Security Council adopted a resolution amending the list, at U.S. insistence, but with Russia abstaining.

A Russian Foreign Ministry press release dated Dec. 31 said that the Ministry protested the inclusion of "not only dual civilian-military use products, but also exclusively humanitarian goods like medicines." It also objected to tougher restrictions on Iraqi acquisition of civilian transport aircraft. With embargoes against Iraq in effect since 1990, the Foreign Ministry release said that "the UN humanitarian program is the only way to meet the basic requirements of the population of Iraq and to maintain the country's social and economic infrastructure." It recalled that the humanitarian program is a temporary measure, not at all an alternative to the full-fledged development of Iraq, which will require the lifting of sanctions.

Russian Officials Comment Carefully on Iraq's Cancellation of Lukoil Contracts

Last month's cancellation by Iraq of its contracts for the Russian private oil company LUKoil to develop the Qurna oilfields, was widely discussed by commentators in the West—based on remarks by an executive from another Russian oil firm, Zarubezhneft—as retaliation for LUKoil's engaging in discussions with Iraqi opposition figures, about protection of its interests in a post-Saddam Hussein Iraq. Articles in the Russian press tended to treat the event more as a setback to LUKoil, in the context of that company's other recent troubles, such as being elbowed out of the bidding to acquire a 75% stake in Slavneft, an oil company auctioned in December. (The government's share of Slavneft was bought by Sibneft, the

company of Chukotka Governor Roman Abramovich, who has been on a political influence and asset acquisition offensive.)

In his Dec. 22 appearance on *Vremna*, Foreign Minister Igor Ivanov brushed aside a question about the cancellation of the contracts, saying that problems between LUKoil and Iraq (of non-implementation of the contracts, which LUKoil attributes to the UN sanctions regime) "arose two or three years ago, and are not connected with the current situation." Deputy Foreign Minister Yuri Fedotov, asked during his Dec. 26 interview with *Itar-TASS* if the cancellation of the LUKoil contracts had damaged state-to-state relations, replied, "It certainly did not improve them." But Ivanov stated, "I would not define our current policy towards the situation around Iraq, through the prism of LUKoil."

Also on Dec. 22, the Iraqi Oil Ministry issued a statement, asserting that the contract to develop the Qurna-2 deposit has been earmarked for Russia and asking that a different Russian company be named for the job (according to Russian press reports). In the *Moscow Times* of Dec. 25, analyst of Russian business-clan conflicts Yulia Latynina wrote, under the headline "LUKoil Thrown to the Dogs," that Iraq's announcement that any Russian oil company other than LUKoil would be welcome into the Qurna consortium, reflected awareness of "a new industrial war" in Russia, in which LUKoil is in a weak position.

Rumyantsev: North Korea Lacks Capability To Make Nuclear Weapons

Addressing a press conference on Dec. 27, Russian Atomic Energy Minister Aleksandr Rumyantsev gave an assessment contrary to that of the United States, saying that North Korea lacked the ability to produce nuclear weapons. "From a professional's point of view," said Rumyantsev, "I cannot tell you what the status of the nuclear plants in Korea is, but, in general, there are no serious nuclear technology breakthroughs in North Korea, because these technologies call for the development of industry to support them." North Korea's impoverished economy could not afford such a program, according to Rumyantsev.

Russia and Iran Set Nuclear Cooperation for Next 10 Years

The occasion for Russian Atomic Energy Minister Rumyantsev's Dec. 27 press conference in Moscow was his return from a visit to Iran on Dec. 23-25, to inspect the Bushehr nuclear power plant, which is being built with Russian assistance. The plant is in the final stages of construction, Rumyantsev reported, and will "start dry runs within the next year and a half or two years, before being hooked into Iran's power system." Rumyantsev signed an accord with his Iranian counterparts, to accelerate the Bushehr construction schedule. They also finalized an agreement on Russia's supplying uranium for Iran's nuclear industry during the next 10 years, with the spent nuclear fuel being returned to Russia for reprocessing. The latter point had not been explicitly agreed on hitherto.

Rumyantsev travelled to Iran with a Deputy Minister of Economic Development and Trade Vladimir Karastin and a delegation from his Ministry, which was preparing the fourth intergovernmental commission meeting on trade and economic cooperation between Russia and Iran. Both Rumyantsev and Karastin negotiated with Reza Agazadeh, Iran's Vice President and chairman of the National Nuclear Energy Organization. Karastin told *Kommersant* daily that Russian-Iranian trade is set to exceed its 2001 level of \$950 million, expanding into Russian construction of gas-fuelled power stations and pipeline construction, and construction of a passenger aircraft plant in Iran.

Government Building Attacked in Chechnya

The death toll has risen to over 80 in the Dec. 27 truck-bombing of government headquarters in Grozny, Chechnya, which had been one of the few reconstructed buildings in that devastated city. Two trucks drove at high speed through the security cordon around the administrative building, which housed the government loyal to the Russian federal state. Deputy Prime

Minister Zina Batyzheva and Security Council Secretary Rudnik Dudayev were reported to be among the wounded.

Russian President Vladimir Putin's representative for the Southern Federal District, Victor Kazantsev, blamed "irresponsibility" on the part of security officials in Chechnya. The pro-Moscow Chechen leader Akhmed-hadji Kadyrov also cited inadequate security. There were reports that the trucks got through an outer perimeter by displaying official passes, obtained from the Russian military and/or the Chechen administration.

Russian Commander in Chechnya Dismissed

General Colonel Genadi Troshev was removed as commander of the Russian North Caucasus Military District on Dec. 19, by decision of President Putin. On the previous day, Troshev said in public that he had refused a transfer to the Siberian Military District, posed to him by Defense Minister Sergei Ivanov, because to leave the post where he has commanded during the past three years would be "a betrayal of the Chechen people." Kremlin spokesman Sergei Yastrzhembsky called these remarks "unacceptable," since "generals should not publicly discuss suggestions and orders from the Defense Minister."

One week later, Gen. Col. Yevgeni Bolkhovitin was fired as chief of the North Caucasus Directorate of the Federal Border Guard Service.

Russian analysts have published unsubstantiated interpretations of Troshev's dismissal as linked with everything from pending shake-ups in the Defense Ministry and General Staff (Troshev having been closely associated with Chief of Staff Gen. Anatoli Kvashnin) to political warfare among economic clans in Russia. What is certain, is that the shake-up in the south comes at a time of intense debate over how Russia's goals and policies in Chechnya should change, after the Moscow hostage-taking of October 2002 and the Dec. 27 Grozny bombing.

Tensions Run High Between Turkmenistan and Uzbekistan

Boris Shikhmuradov, the former Foreign Minister of Turkmenistan, was either arrested (according to the government) or turned himself in (according to a statement web-posted in his name) on Dec. 26, having been accused by the government of masterminding an assassination attempt President S. Niyazov on Nov. 25. Shikhmuradov was hastily tried, convicted, and sentenced to life imprisonment, on Dec. 30. A videotaped confession was televised. In a statement posted on an opposition web site with which he has been associated, Shikhmuradov said that he had been in the country for a month, taking refuge in the Uzbek embassy during the final week before his surrender, which the statement said he undertook in order to stop mass arrests of opposition figures and their families. Much about the affair remained murky, however, including the authenticity of either statement.

Commenting on tensions throughout the Central Asia-Afghanistan area, a senior Russian orientologist told *EIR* on Dec. 23: "Watch, in particular, the new problems between Turkmenistan and Uzbekistan. The Uzbek Ambassador was just expelled from Turkmenistan. He was accused of supporting the former Turkmen Deputy Prime Minister, who has now become the leader of the opposition abroad, to Turkmen President Niyazov, generally known as 'Turkmenbashi' [Father of all the Turkmens]. This comes after the reported assassination attempt against Niyazov, which I doubt really happened."

The Russian source went on: "The border relations between the two countries are bad, there is conflict between the two over border areas that are rich in oil and gas, and there is tension because of Afghanistan, since the Turkmenistan regime has always been favorable to the Taliban, and the Uzbeks violently against the Taliban. Meanwhile, the economic and social situation in both countries is extremely bad, so they are both using each other as convenient foreign enemies, to divert attention." At the same time, he observed, the situation in Afghanistan itself is deteriorating by the day, and "will get worse and worse. This is not surprising; only the Americans, who know nothing about Afghanistan, ever thought it would

be otherwise."

Kazakhstan and China Discuss Railway Development

The establishment of a rail link, only 40 kilometers long, between eastern Kyrgyzstan and western China, is in the interest of Kazakhstan, which thereby gains direct access by rail to western China. The importance of having a direct rail link with China was emphasized by Kazakh President Nursultan Nazarbayev, at the conclusion of three days of talks in Beijing Dec. 26.

Nazarbayev welcomed agreements to build \$400 million worth of diesel locomotives at Dunfan Electric in China, for the Kazakh State Railways, and provide delivery of 2 million tons of Kazakh steel to China, as a step forward in mutual industrial cooperation. Nazarbayev also said, "Kazakhstan is interested in supplies of fuels, electricity, railway materials, foodstuffs, etc., to the markets of China. Our strategic interest is for mutual benefit from the transport capacities of both countries. We would like to have our products access the southeastern Chinese ports, and the markets of India and Pakistan through the territory of China. At the same time, China has the option of economic cooperation with Europe, through Kazakhstan."

Armenian Media Director Killed

Tigran Naghdalian, chief of Armenian State Television and Radio, was fatally wounded by a single shot in the back of his head, as he left his parents' apartment in central Yerevan, *armenialiberty.org* reported Dec. 29. Rushed to the hospital, he died on the operating table.

President Robert Kocharian was quick to condemn the murder, saying that it was aimed at undermining Armenia's "stability and progress." He said that those who ordered it "have thrown down a gauntlet to the entire society" and vowed to "do everything" to bring the perpetrators to justice. "The crime will be forgiven neither by me, nor by the public," he said.

Naghdalian, who had headed the state-owned Armenian Public Television since 1998, was a staunch supporter of Kocharian and a harsh critic of his political opponents.

MIDEAST NEWS DIGEST

LaRouche Comments on Factors Needed To Stop Iraq War

In the New Year's statement, "The Weeks of Crisis Before Us," Democratic 2004 Presidential pre-candidate Lyndon LaRouche comments on the Middle East, saying, "There is no competent reason for the U.S. to continue its currently aversive policies toward Iraq.... The influence of the U.S.A. and its available partners in the Middle East, is enormous. Why waste, or even ruin that region, with ventures which any astute diplomat would avoid?" LaRouche's campaign has already launched a drive to distribute 1 million copies of this statement (see *EIW* EDITORIAL for full text) in the U.S. in the next two weeks.

LaRouche has also warned, in a series of international speaking appearances, that while the Iraq war has been stopped—for the moment—the Likud-linked warmongering "Chickenhawks" in the Bush Administration are desperately frustrated at the delay of their timetable to launch a unilateral war against Iraq in the early part of 2002.

In a Dec. 17 commentary, LaRouche criticized the impotence of Israeli and other observers who resort to "betting" on the inevitability of the Iraq war, in reaction to the "Chickenhawk" ravings, instead acting to help stir the institutions of the U.S. Presidency into averting war. The commentary by LaRouche said, in part:

"For political analysts, or bookmakers or bookkeepers steeped in the tradition of crap-shoots and Belmont Park 'boat races,' " such betting is obviously correct. "However, in the real world of thinkers, rather than gamblers, the relevant questions are two. First, 'Will those U.S. institutional forces which have blocked the war thus far, suddenly collapse at this stage?' Second, instead of the psycho-sexually impotent: 'Were those forces to collapse now, what are the statistical chances of war?' but, rather: Were President Bush, for example, to launch such a war, what would be the countervailing consequences of his launching such a wild-eyed act of folly?' The second question must be answered against the background of the first. The question is of the same class of implications as, 'If the German generals were to permit President Hindenburg to appoint Hitler Chancellor, would Hindenburg's Germany, and its generals, benefit in the end?'

"For people who actually think, such are the lines along which the lurking threat of a general outbreak of an Iraq war is considered by competent strategic thinkers now. The outbreak of such a war, would mean that the U.S.A. were on the road to its own self-destruction, that the relevant institutional forces of the U.S.A., like the German generals who failed to force Hindenburg not to appoint Hitler, had lost the required margin of moral fitness to survive. A July 1944 would be awaiting the military cadres who failed to stop the Hitler appointment already in January 1933. That is the forecast which all competent thinkers would be making.... The problem is, that all too many ... tend to think like fatalistic bookkeepers or social-democratic and kindred devotees of 'histomat,' rather than those true, adult human beings called 'voluntarists.' "

Mubarak To Inaugurate Water Project To Make the Desert Bloom

Work in progress on the mega-development project of Toshka has made great leaps forward, an official Egyptian government report revealed Dec. 28. The report announced that President Hosni Mubarak would inaugurate the two main components of the Toshka project within a few days.

The components are the giant pumping station and the Sheikh Zayed canal. The giant pumping station, built at a cost of LE 716.9 million, is one of the world's largest, said the report, prepared by the *Middle East News Agency*. It quoted engineer Kamal el-Sherbini, a resident manager at the project site, as saying that the station, supported by 21 pumps, was built to lift Lake Nasser water into the Sheikh Zayed canal, which is 164 feet higher.

About 98% of the construction work in the station is complete, he said. It is a new epoch in construction representing the proper way to usher Egypt into the 21st century, the report said. The Aswan High Dam will power the station, named after the President, 240 kilometers (150 miles) to the northeast.

Lake Nasser, the reservoir created by the dam, is west of the Sheikh Zayed canal by some 50 kilometers. The water will be channelled by four sub-canals into 540,000 acres (218,000 hectares) of potentially fertile desert land. The dam allowed the reclamation of 1 million feddans (more than one million acres) and a changeover from one crop per year to several.

The Toshka project, whose implementation began in 1997, aims to make the desert bloom northwest of Abu Simmel, famed for the colossal Pharaonic temple rescued from Lake Nasser after the Aswan High Dam was built in the 1960s. The project, whose expenditure has reached LE 5.8 billion, aims to reclaim and cultivate some 540,000 feddans around Toshka to tackle the population explosion and crowded cities, the report said. The scheme is part of the South Egypt Development Project that aims to double the amount of cultivated land in Upper Egypt. The government hopes that at least 2 million people will settle in Toshka's 540,000 acres.

Oops! Cracks in Israel's 'Model Democracy'

On Dec. 30, *EIR's* Washington correspondent confronted State Department spokesman Phil Reeker on two counts: the Israeli Labor Party's complaints that the U.S. was giving them the cold shoulder, in deference to rightwing warmonger Ariel Sharon, and the existence of U.S. concerns—if any—that the Israeli elections might not be "fair and aboveboard," in light of Israeli press coverage about corruption in the Sharon's Likud Party, vote-buying, Russian Mafia money, and the like in the Likud Central Committee election and primaries. Reeker expressed confidence in the fairness of elections in Israel. He added this was an "internal" matter for the Israelis, and said he had not been monitoring the Israeli press of late and hadn't seen "the specific reports" referred to. Reeker was also confident that the Israeli press would be doing its job in the election coverage.

The Israeli press may be doing a better job than Reeker. On Jan. 3, the leading Israeli newspaper *Ha'aretz* reported quite a different picture than carte blanche endorsement of Israeli fairness. *Ha'aretz* reported that a statement by State Department spokesman Richard Boucher was being seen as a warning to Israel that it should reverse the decision of its election commission to bar two Arab-Israeli candidates.

Boucher said, "This is something we're following closely. We're of course interested in broad participation in the political process in Israel, as we are elsewhere. I'm not commenting on particular individuals or the parties or the political aspects of this. I'm commenting on the question of the broadest possible participation in the political process." Boucher added that this principle applies to all, "And Israel should not be an exception."

LaRouche Associate Jacques Cheminade Featured at Zayed Centre in Abu Dhabi

Jacques Cheminade, leader of "Solidarité et Progrès," the French section of the international LaRouche movement, gave a lecture at the Zayed Centre For Coordination and Follow-Up (ZCCF) in Abu Dhabi, United Arab Emirates, on Dec. 30.

A ZCCF press release reported that Cheminade called for establishing an international commission for a Dialogue of Civilizations which would include Pope John Paul II, Iranian President Mohammed Khatami, and UAE President Sheikh Zayed bin Sultan Al-Nahyan to promote this tendency and support a real dialogue among cultures and cooperation in economic projects. The English-language *Gulf News* also reported on Cheminade's presentation.

Cheminade also dealt with other topics, such as the internal situation in France and the importance of the recognition of the role of Islam as an integral part of the political changes in France. He also stressed that, should Labor Party leader Amram Mitzna win in the coming Israeli elections, it would increase the chances of a peaceful settlement between Israel and the Arab nations. The lecture was followed by a press conference. Further details appear on the Centre website, <http://www.zccf.org.ae>.

Rumsfeld Exposed—Again—for Arming Saddam Hussein with Chemical Weapons

On Dec. 30, 2002, the *Washington Post* finally caught up with Lyndon LaRouche's *Executive Intelligence Review*, in providing the embarrassing details of how United States leaders, including Secretary of Defense Donald Rumsfeld, former President and Vice President George H.W. Bush, and others armed Iraq with the "weapons of mass destruction." In exposing the hypocrisy of the Iraq war drive, *EIR* published a reminder of the dirty deals of the 1980s, in an Oct. 18, 2002 article entitled, "41 Questions to Bush Administration on U.S.-Iraq Relations in the 1980s."

The *Washington Post's* front-page article of Dec. 30, entitled "U.S. Had Key Role in Iraq Buildup Trade in Chemical Arms Allowed Despite Their Use on Iranians, Kurds," by Michael Dobbs, begins with the uncomfortable paradox of stated U.S. claims today, and documented U.S. policies yesterday, vis-à-vis Iraq. "High on the Bush Administration's list of justifications for war against Iraq," the article begins, "are President Saddam Hussein's use of chemical weapons, nuclear

and biological programs, and his contacts with international terrorists. What U.S. officials rarely acknowledge is that these offenses date back to a period when Hussein was seen in Washington as a valued ally. Among the people instrumental in tilting U.S. policy toward Baghdad during the 1980-88 Iran-Iraq war was Donald H. Rumsfeld, now Defense Secretary, whose December 1983 meeting with Hussein as a special Presidential envoy paved the way for normalization of U.S.-Iraqi relations. Declassified documents show that Rumsfeld travelled to Baghdad at a time when Iraq was using chemical weapons on an 'almost daily' basis in defiance of international conventions."

Highlighted in the *Post* story is how U.S. policy shifted during the 1980-88 Iran-Iraq war, moving from an initially neutral position to support for Iraq, as soon as Iran showed strength, dating to summer 1982. The *Post* writes: "To prevent an Iraqi collapse, the Reagan Administration supplied battlefield intelligence on Iranian troop buildups to the Iraqis, sometimes through third parties such as Saudi Arabia. The U.S. tilt toward Iraq was enshrined in National Security Decision Directive 114 of Nov. 26, 1983, one of the few important Reagan-era foreign policy decisions that *still remains classified*. According to former U.S. officials, the directive stated that the United States would do 'whatever was necessary and legal' to prevent Iraq from losing the war with Iran" (emphasis added).

The directive was issued amid reports that Iraqi forces were using chemical weapons. And, "on Nov. 1, 1983, a senior State Department official ... told Secretary of State George P. Shultz that intelligence reports showed that Iraqi troops were resorting to 'almost daily use of CW' against the Iranians." But, writes the *Post*, the Reagan Administration had already committed itself to a large-scale diplomatic and political overture to Baghdad, culminating in several visits by the recently appointed special envoy to the Middle East, Donald Rumsfeld. "Secret talking points prepared for the first Rumsfeld visit to Baghdad enshrined some of the language from NSDD 114, including the statement that the United States would regard 'any major reversal of Iraq's fortunes as a strategic defeat for the West.' When Rumsfeld finally met with Hussein on Dec. 20, he told the Iraqi leader that Washington was ready for a resumption of full diplomatic relations, according to a State Department report."

UN Inspectors Found 'Zilch' in Evidence of Iraqi WMD

"We haven't found one iota of concealed material yet," stated one of the UN inspectors working on Iraq, reported the *Los Angeles Times* on Dec. 31. The inspector, who spoke on condition that he wouldn't be named, said the UN teams have not encountered a single place in Iraq that has been "off-limits" to them.

The source added, "We need intelligence reports if they exist.... We can't look for something which we don't know about. If the United States wants us to find something, they should open their intelligence file and share it with us so that we know where to go for it." In the words of the *L.A. Times*, the inspector said that "he and his colleagues feel acute pressure from Washington to find something soon. But if the U.S. has provided its long-promised intelligence, they haven't seen it yet."

The statements by the inspector are in violation of the strict secrecy rules that UN Secretary General Kofi Annan, and other officials have imposed. But, the article reports that the Iraqis are providing *complete* access to facilities, even bedrooms of palaces, and manufacturing plants that had been closed off during the previous inspections that went on from 1991 to 1998. Two days later, the *Washington Post* reported that inspectors are going to "step up" their tactics in order to try to "catch" the Iraqis unprepared, but the *Post* also had to admit that there has been *no interference* by Iraq.

No Reason for Military Action Against Iraq Now

On Dec. 31, UN Secretary General Kofi Annan, interviewed by Israeli military radio, said that "Iraq is cooperating and the inspectors have been able to do their work in an unimpeded manner, and I don't see an argument for military action now. We need to do everything to disarm Iraq and the inspectors have been given fresh powers, which I think they are using well." He said the inspectors may give an interim report before Jan. 27.

Senior political figures from the U.S. and Europe fully agree that Iraq war should be *off* the table.

*Dec. 31: Former Secretary of State Warren Christopher, who served in President Clinton's first term, wrote in an op ed in the *New York Times* that President Bush must step back from his "fixation on attacking Iraq" and "reassess his Administration's priorities." He argues that the nuclear threat from North Korea is "more imminent than those posed by Iraq," and added that it, too, can be solved *without* military action, but with "sustained diplomatic efforts with China, South Korea, and other countries of the region."

*Dec. 28: British commentator Stephen Glover writes in the *Spectator* that "For Britain, war is not, in fact, inevitable," despite the massive efforts by the British government and Blair-linked media, to engage in "cynical warmongering." Glover especially takes the Rupert Murdoch-owned *Sun* tabloid and the Hollinger-owned *Daily Telegraph* to task, for putting out wild government propaganda about supposed giant terrorist threats to Britain in order to have the media and public opinion "softened up" and "sucked into the plot." The *Spectator*, also owned by Hollinger, has become a key mouthpiece for what are called "Old Tories," traditional conservatives opposed to the war in Iraq.

*Dec. 30: In a year-end interview with *Der Spiegel*, German Foreign Minister Joschka Fischer stated, "We have to do everything for a peaceful resolution [in Iraq], even if our hope is growing smaller and smaller. Naturally, it depends on Baghdad's commitment to cooperate. But at the same time, we must not accept any inevitability, just because troops are being massed. The German government will not deploy German troops for combat in a highly dangerous conflict, whose necessity as a last resort is not 100 percent convincing."

Containment of Saddam Hussein has worked, so far, Fischer adds. "The terrorism of Sept. 11 was the attempt to provoke the Western world into a Clash of Civilizations. To this day, I cannot recognize any link to the Iraq problem. We are tied up well enough with the war against terrorism. Therefore, it would be wrong ... to proclaim regime change in Baghdad a supreme priority."

U.S. Airstrikes on Iraq Are Material Breach of UN Resolutions

Iraqi Foreign Minister Naji Sabri declared, in a letter of protest sent Dec. 30 to UN Secretary General Kofi Annan, that U.S. air strikes against Iraq are a "material breach" of UN Security Council resolutions. The immediate incident was the Bush Administration's Dec. 26 air strike in southern Iraq, which the Iraqis say left three dead and 16 wounded. The letter charged the strike was a "terrorist act," adding, (without further specifics reported) that it had been carried out "with a direct participation of the rulers of Kuwait."

Asia News Digest

No Alternative to Sunshine Policy, Says South Korean President-elect

South Korean President-elect Roh Moo-hyun, in his New Year's press conferences, said that he views the settlement of North Korean problems as "primarily an *internal Korean* issue, not primarily something for international" play. "The U.S. cannot act unilaterally, with South Korea just obeying. We must consult in advance, and Washington must respect South Korea's views," Roh said Dec. 30. "For the U.S. to announce the policy and expect South Korea follow it, is not Korean-American cooperation, and it is not the way to resolve the issue."

"There is no alternative to the Sunshine Policy and the initiative has not failed," Roh said in an interview published in the Dec. 24 *Le Monde*. "My views of North Korea could differ from those of the hawks in Washington because I am Korean

and place more emphasis on Korea's national interests above those of the United States."

President Kim Dae-jung said Dec. 27 that South Korea should play a "leading role" in the resolution of North Korea's nuclear issues. Yim Sung-joon, Kim's national security advisor, told reporters that the U.S. has got to return to the policy of endorsing the Sunshine Policy. "Pyongyang has not yet turned on its nuclear power plant and I believe it is trying to bring Washington to the negotiating table," he said.

"Pressure and isolation have never been successful with communist countries. Cuba is an example," President Kim told the Cabinet Dec. 30. "We will work closely with our allies to solve this Korean peninsula problem, but no matter what, we cannot go to war with North Korea, and we can't go back to the Cold War system and extreme confrontation."

Seoul has began a diplomatic drive to solve conflict, President Kim announced Dec. 30; Deputy Foreign Minister Lee Tae Shik went to Beijing Jan. 2, and Vice Foreign Minister Kim Hang Kyung goes to Moscow Jan. 6 for consultations, Kim said.

On Jan. 6-7, South Korea will also send a representative to Washington for three-way talks involving the U.S., South Korea, and Japan.

Russia, Japan To Propose Six Party Talks

Japanese Premier Junichiro Koizumi travels to Moscow Jan. 10, where Russian President Vladimir Putin and he will reportedly issue a statement calling for Six Party talks on Korea ("2+4 talks"). These will involved both Koreas, China, the U.S., Russia, and Japan—six equal, sovereign nations. They see this as "a new framework to replace the collapsing 1994 Framework Accord and the failing Korean Energy Development Organization (KEDO)," according to a *Nihon Keizai Shimbun* report Dec. 30.

"Attempts to isolate North Korea can only lead to a new escalation in tension," Russian Foreign Minister Igor Ivanov said Dec 31. Russian Deputy Foreign Minister Alexander Losyukov told *Interfax* that nothing can be achieved through accusations, pressure, or tight demands, not to mention threats, which will only make the situation worse.

Khmer Rouge Military Leader Pledges To Disclose Western Supporters

Ta Mok, former military commander of Khmer Rouge forces in Cambodia, issued a statement through his attorney on Dec. 23, in which he promised to "shock the world" by revealing the depth of Western support for the murderous group's "Killing Fields" regime from April 1975 to January 1979, during which period an estimated 1.7 million, or roughly one in five, Cambodians were killed.

Ta Mok is one of only two Khmer Rouge leaders in custody. The other detainee is Kang Kek Ieu, or "Duch," the executioner at the Tuol Sleng high school in Phnom Penh, which was turned into a prison/torture chamber. Ta Mok's statement follows a UN General Assembly vote on Dec. 18, in which a majority of member states endorsed a resolution authorizing new talks on a trial for surviving Khmer Rouge leaders. Cambodia accepted an invitation for a new round of talks to begin in January.

In the statement released by his lawyer, Ta Mok said, "It was the Western countries that gave us the recognition and support to go ahead, and we proceeded primarily because of the help of these developed Western countries. The truth will be revealed during the trial and the world will be shocked to know the truth behind the Khmer Rouge regime."

Cambodia Exerts Sovereignty Against World Bank NGO Policing Agency

Cambodia expelled a leading green fascist Non-Governmental Organization (NGO) which had been foisted on it by the World Bank, reported *Agence France Presse* on Dec. 30. Global Witness, a British NGO active in "exposing" the diamond trade in Africa and in forestry issues in Cambodia, was literally forced on the Cambodian government by the World Bank in 1999 as a condition for getting any loans. Global Witness was given policing powers over the forestry industry, despite the fact that it's made up of European eco-freaks.

Since Cambodia had to clean up the forestry operations anyway, it tolerated the activities of Global Witness, but when the group denounced the government (in the international press) for using "excessive force" in breaking up a demonstration by forest dwellers this month, Prime Minister Hun Sen, after reviewing films of the police action, announced that the NGO was to be expelled, and that he would bring suit against them, taking it to the International Court of Justice if necessary. He challenged Global Witness to produce evidence of anyone hurt or killed (they claim one person died), and asserted, "This is a matter of the country's prestige."

World Bank country director Ian Porter threatened to pull Bank operations out of the forestry sector, and the NGOs are screaming in reaction to Cambodia's move.

Myanmar and Bangladesh Agree on Direct Road Link

Following two days of meetings in Bangladesh Dec. 17-18, the chairman of Myanmar's State Peace and Development Council, Senior General Than Shwe, and Bangladeshi Prime Minister Begum Khaleda Zia signed an agreement to establish a direct road link between Maungdaw in Rakhine State, Myanmar, and the southeastern Bangladeshi port city of Chittagong. Surveying work is due to begin in the next three months. The two also signed a memorandum of understanding on holding annual consultations at the foreign-ministerial level and an agreement on cultural cooperation.

General Than Shwe's visit is the first by a Myanmar head of state in 16 years. A meeting between Than Shwe and Bangladesh President Iajuddin Ahmed was the first heads-of-state meeting between the two neighbors in more than 14 years. The two leaders discussed Bangladesh's interest in forging closer ties with ASEAN. At a state banquet, Prime Minister Zia declared the visit would take bilateral relations and cooperation to a new level. The 52-person Myanmar delegation included Myanmar's military intelligence chief, Gen. Khin Nyunt and four Cabinet ministers, including Foreign Minister U Win Aung. The Bangladesh air force honored the delegation with a four-jet escort on arrival and departure.

Trade between the two countries is valued at about \$50 million a year, largely in Myanmar's favor. The proposed direct road link has the potential to increase bilateral trade tenfold. Most trade is conducted by ferry across the Naaf River.

Macapagal Arroyo Proposes 'Unity' Government

After announcing that she will not run for reelection in 2004, Philippines President Gloria Macapagal Arroyo has proposed a "unity government," to include all opposition parties, as well as representatives of the Communist and Moro Muslim insurgencies.

House Speaker Jose de Venecia, Jr., who is co-chairman of Macapagal's Lakas-NUCD party, announced Jan. 2 that the President "is interested in healing the country and moving it forward.... She just wants an effective, all-embracing successful government because she will be its leader."

In an interview with the *Philippines Inquirer* published on Jan. 3, De Venecia said he had obtained a commitment from

ousted President Joseph Estrada for "national reconciliation," and that in the next few days he would seek the consensus of political parties, religious, civil society and business leaders for a "no-politics, no-nonsense government of national unity."

De Venecia said he had asked rival political parties, the Laban ng Demokratikong Pilipino (LDP) led by Sen. Edgardo Angara, the Nationalist People's Coalition of businessman Eduardo Cojuangco, the National Democratic Front (NDF) led by exiled Communist Party leader Jose Maria Sison, and the Muslim separatist Moro Islamic Liberation Front (MILF), headed by Hashim Salamat, to join a "unity government" until June 30, 2004, the end of Macapagal's term of office.

De Venecia said these leaders could either join the Cabinet directly or nominate representatives, but "if they or their representatives join the Cabinet, they will have a say in the policies of the government." The terms of the unity government would be discussed at a meeting of the ruling Lakas-NUCD party on Jan. 8.

De Venecia asked former NDF lawyer Romeo Capulong to convey the message to Sison in Utrecht, adding that the draft of the final peace agreement with the NDF would be submitted for Cabinet approval Jan. 3. As for the MILF, de Venecia said: "You sign the peace agreements and you immediately end 35 years of fighting. With this single stroke, you bring peace and order to the entire country."

De Venecia concluded that "critical collaboration" exists in the Senate for the proposal.

InDepth Coverage

Links to articles from *Executive Intelligence Review*.*

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Feature:

[Shanghai's Maglev Launched: Revolutionary Step for Eurasia](#)

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As the old year ended, the 21st Century was launched in rail transportation, in a cooperation between Germany and China which points toward the development of the Eurasian Land Bridges.

Economics:

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[by Anita Gallagher](#)

'We are losing our rail system, the last vestige of it. We are also in the process of crippling, and virtually destroying, our air-traffic system. If this were to occur . . . then the United states ceases to be an integrated nation. . . . It is no longer a unified, efficient national economy.'

[U.S. Household Credit Bubble Set to Explode](#)

[by Richard Freeman](#)

More than half of America's 290 million people, living in every city and hamlet, in every state of the nation, survive day-to-day by virtue of the greatest consumer credit bubble ever created. It is projected that at the end of 2002, American households will have accumulated \$8.38 trillion in household debt—roughly \$80,000 for every American household—of which \$6.04 trillion is mortgage debt, and \$2.34 trillion is consumer credit and other debt.

Philippines' Leader's Bold Step Offers Hope

by Michael Billington

In an announcement that shocked the Philippines and much of the world, President Gloria Macapagal-Arroyo said on Dec. 30 that she would not seek re-election in the 2004 Presidential elections. More important, she made the announcement in the context of a brutally truthful acknowledgment that the nation is on the brink of an economic and social breakdown, due at least in part to her own failures.

Mahathir Points to Dollar Crisis

by Michael Billington

Malaysian Prime Minister Mahathir bin Mohamad, in an interview with Malaysia's New Straits Times on Dec. 26, departed from his usual reticence to discuss the economic crisis within the United States, and advised that the world economy should return to a gold-reserve standard.

LaRouches in Berlin: Learn the Lessons Of Germany's History

by Ortrun Cramer

In the last weeks of 2002, American economist and pre-candidate for the 2004 U.S. Presidential elections Lyndon H. LaRouche conducted a tour of European centers, addressing seminars and press conferences, and holding private meetings with influentials from politics and the economic sector.

International:

Sharon and His Mafiya Allies Plot Israel Election Theft

by Jeffrey Steinberg

On July 16, 2000, as President Bill Clinton was huddled with then-Israeli Prime Minister Ehud Barak and Palestinian Authority President Yasser Arafat at Camp David, attempting to hammer out a final peace agreement between Israel and the Palestinians, 150,000 Israelis turned out in Tel Aviv's Kikar Rabin, to hear Ariel Sharon and other leading Israeli Jabotinskyite fanatics denounce peace and call for Barak's ouster.

Sharon Faces Election Scandal, Threatens War

by Dean Andromidas

Reacting to the worst election scandal in the history of Israel, which is engulfing his Likud party, Prime Minister Ariel Sharon has launched a major war propaganda campaign for the Jan. 28 general election.

Israel's Central Bank Warns

According to Dec. 30 reports from wires and Israel's daily Ha'aretz, the governor of the Central Bank of Israel has warned that a major Israeli bank could go bankrupt in the immediate period ahead, and—more remarkable—has called for a national economic infrastructure investment policy as the only means to stop the economic collapse which has characterized Prime Minister Ariel Sharon's term.

Iran's Diplomacy Aims At Eurasian Cooperation

by Muriel Mirak-Weissbach

One of the thorniest questions in international politics has been, how tensions between nuclear powers Pakistan and India can be relaxed, and an adversary relationship transformed into one of cooperation. Now, prospective progress on this front is emerging from what might seem an unexpected quarter: the Islamic Republic of Iran.

Khatami Hails Role for Pakistan's National Poet

By David Cherry

Pakistan's Daily Times editorialized on Dec. 28: 'Visiting Iranian president Seyed Muhammad Khatami has leaned on the legacy of Allama [Muhammad] Iqbal to express his 'unorthodox' views on Western civilization.

No 'Allende Solution' For the Cha´vez Problem

This statement and dossier on the Venezuelan crisis, and the history of Venezuelan President Hugo Cha´vez, was issued on Dec. 21, 2002 by the LaRouche in 2004 Presidential campaign.

Venezuela Facing Civil War

As the New Year opened, the existential crisis of Venezuela had reached a dramatic stage, and continued to escalate.

This Week in History

January 6-12, 1412

We travel this week to the year 1412, when, on Jan. 6, the French heroine, later Saint, Jeanne d'Arc was born. Lyndon LaRouche has recently been stressing the sublime character of Jeanne d'Arc's leadership, in which she gave her life in order to secure the nation of France, and thereby achieved immortality as the founder and inspiration of her nation.

Why celebrate this maid, who, at the age of 17, determined to take charge of the French Army, in order to drive the English out of France, and crown the French Dauphin king? Because Jeanne d'Arc is, in the sense of universal history, a leading figure in establishing the basis for the creation of our own republic, and the nation-state institution as a sovereign body devoted to the general welfare of the population. As a leader, she deserves to be honored by all mankind, of whatever nationality.

While born a peasant girl, Jeanne d'Arc received an education from religious orders who were devoted to providing instruction for children from all classes.* Thus, it is not from nowhere that she sprang, when she stepped forward in 1429, to rouse the French people into battle against the English occupiers.

With a large portion of Northern France, including Paris, under the occupation of the British, with their French collaborators, the French population was in dire straits. France was not a nation, but a collection of principalities, which had been at war among one another since 1337, and whose power dwarfed that of the nominal king. The power of the English princes and their allies was growing, and was, in 1429, bent upon opening up the entire south of the country, by winning the siege of the city of Orleans.

Realizing that the British had to be stopped at Orleans, Jeanne conceived a three-part strategy. First, was to pull together an army which was still loyal to the Dauphin, the son of the former King of France, with permission of the only military chief in the North still loyal. Second, was to travel to the residence of the Dauphin, Charles VII, through enemy territory, and convince him, and his entourage, to put her in charge of the army, in order to lift the siege of Orleans. The third, was to get to Reims, the traditional location for kings in France to be crowned, and have Charles VII officially crowned King of France—despite the fact that Reims was in the middle of enemy territory.

To accomplish this, Jeanne would have to exercise an iron, and inspired, will, against a battery of generals and princes who had shown themselves to be cowards, simply looking out for deals for themselves. Even the Dauphin had given up the idea of embodying the nation of France. There is good reason to believe that, when he agreed to give Jeanne the authority to lead his forces to liberate Orleans, he fully expected that she would fail. Indeed, many of his princes wanted her to do so.

Upon arriving at Orleans, Jeanne sent a letter to the English, demanding they surrender all the cities they had captured, or be prepared for unrelenting warfare *until victory*. When the British refused, Jeanne then had to confront her generals, who advised caution and delay. She didn't hesitate, but rather got on her horse, gathered the army, and led it personally to break the siege. After a three-day confrontation, during which she was wounded, Jeanne deployed the French army in such a way that the British conceded and withdrew.

This victory turned the psychological tide, giving Jeanne great authority with the army and the people, and creating the conditions under which she could convince the King, against his advisers that she should open up a path to Reims, where Charles VII could be crowned.

Despite this success, Charles turned around to betray the savior of France. First, he made a deal with his enemies, who had occupied Paris, and then literally disbanded the army which Jeanne had been determined to lead to victory. When Jeanne re-entered the battle later, leading a mercenary army of Italians to try to liberate the center of control of France's enemy, the Duke of Burgundy, she was again abandoned by the King, and ultimately captured. The French generals soon sold her to the English; first she was tortured and tried for sorcery in the courts of the Inquisition, and then turned over to the English secular court, which burned her at the stake as a witch in May 1431.

Yet, Jeanne had, in fact, won the war. She had so inspired, so personified, the French people, with the idea of their nationhood and purpose, that Charles VII's son, Louis XI, would go on to establish France as the first sovereign nation-state. For this reason, we celebrate the Maid of Orleans, Jeanne d'Arc.

*The bulk of the material for this short review can be found in a review by Irene Beaudry, entitled "The Military Genius of Jeanne d'Arc, and the Concept of Victory." It can be found in [EIR, Vol. 27, No. 45, Nov. 17, 2000.](#)

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