

## Electronic Intelligence Weekly

### Online Almanac

From Volume 2, Issue Number 2 of *Electronic Intelligence Weekly*, Published Jan. 13, 2003

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## THIS WEEK YOU NEED TO KNOW

### 'A Republic—If You Can Keep It'

The year 2003 has been ushered in with a pair of major U.S. media promotions of the bad old idea of imperialism. On Jan. 5, the *New York Times Magazine* ran a red, white, and blue cover with the screaming five-inch headline, "American Empire (Get Used To It)." The accompanying article, by Canadian-born, formerly London-based, Harvard professor Michael Ignatieff, was only a slightly less histrionic screed for an American Imperium, starting with the military occupation of Iraq. It is of historical note that Professor Ignatieff is the great-grandson of the founder of the Russian Tsarist secret police, and that he spent 10 years as the resident understudy and biographer of the British Fabian diplomat and Oxbridge professor Isaiah Berlin, who, along with William Yandell Elliott, mentored Henry Kissinger at Harvard.

The second, more pedestrian call for a global *Pax Americana* appeared as the cover story of the Jan. 13, 2003 issue of Mort Zuckerman's *U.S. News & World Report*, under the title "The New American Empire?" by Jay Tolson. The article diagnosed the September 2002 Bush Administration National Security Strategy, which infamously promoted a new doctrine of preemptive war against any nation or combination of nations which threatens U.S. global military hegemony.

This latest effort to spark a public "debate" over the virtues of a benign American global empire is reminiscent of the Council on Foreign Relations' 1993 spotlighting of Samuel P. Huntington's borrowed (from Bernard Lewis) call for a worldwide "Clash of Civilizations," pitting "the West against the rest," particularly the world's 1 billion Muslims and 1.2 billion Chinese.

The idea of imperialism, at the dawn of the 21st century, is one that has been long overdue for permanent relegation to the trashbin of history. It has absolutely no place in the political discourse of the United States of America, whether in the form of magazine-sparked popular debate or misguided Administration policy.

As Lyndon LaRouche has stated in numerous speeches and essays, particularly his Sept. 24, 2002 strategic study and Presidential campaign statement, "A Boldy Modest Global Mission for the United States," the United States is unique in history, as the only modern nation-state to be established on the basis of universal republican principles. LaRouche's statement was written *explicitly* to provide the United States with a mission to *counter* the disastrous Bush Administration National Security Strategy that the would-be imperialists are now trying to revive.

Both the Declaration of Independence and the U.S. Constitution committed the United States to being an instrumentality for the common good—what the Founding Fathers described, in the Preamble to the Constitution, as the "general welfare." In foreign policy, John Quincy Adams defined the American mission in the world as that of the leading promoter of the community of principle among perfectly sovereign nation-states.

The strategic mission of the United States was set in stark contrast to the very idea of imperialism, colonialism, and all forms of oligarchical oppression.

Unfortunately, the United States has also always faced an "enemy within," in the form of what President Franklin Roosevelt called "the American Tories," and their populist rabble. Today, the American Tories occupy positions of power inside the Bush Administration, particularly in the civilian apparatus of the Pentagon and in the Office of Vice President Dick Cheney. They occupy positions of prominence on Wall Street, and, as the *Times* and *U.S. News* pieces suggest, they also control a growing section of the American mass media and entertainment sector.

Nevertheless, the idea of imperialism, like the "American Tories" (call them utopians or neo-conservatives), represents an alien seed, planted early and now taken root in the American political soil. They are alien to the very principles upon which the American experiment in republican government was launched.

We are now entered into a period of weeks or months, when the fate of the United States and the world will be determined, for decades to come, by decisions of war and peace, and a long-overdue return to the American System of political economy, instead of the bankrupt imperial notion of free trade, globalization, and consumerism.

At the conclusion of the Constitutional Convention, Benjamin Franklin was asked to describe what the delegates had given to America. Franklin responded, "A republic—if you can keep it." Franklin's words echo in our ears today.

See *[THIS WEEK IN HISTORY](#)* for the irreplaceable and under-appreciated role of that "Universal Man," Benjamin Franklin, whose birthday is January 17.

## Latest From LaRouche

### 'The Year To Come' by Lyndon LaRouche Published in New Year's Issue of Dubai's *Al-Bayan*

A special political supplement for the New Year published by *Al-Bayan*, the leading newspaper in Dubai, featured the above-cited article by Lyndon LaRouche, with the additional subtitle, "Lyndon LaRouche: The Global Strategic, Economic Crisis Demands a New World Order." In addition, the same issue of *Al-Bayan* published an article by LaRouche associate Hussein Askary, "On History as Tragedy" (See this week's [MIDDLE EAST NEWS DIGEST](#)). The online version of LaRouche's article is accompanied by a photo of LaRouche with anti-globalization riots in the background. The website address for *Al-Bayan* is <http://www.albayan.co.ae>. (The figures LaRouche refers to in the text, can be viewed *there*.)

Here is the full text in English, of LaRouche's article:

### The Year to Come - - by Lyndon H. LaRouche, Jr. - - December 17, 2002

The 1945 death of U.S. President Franklin Roosevelt was used by his U.S. and other leading opponents, to begin a series of radical changes in global policy-shaping, changes which have now brought the world into the presently terminal phase of a general economic collapse of the world's present monetary-financial system.

At first, during 1945, in the changes in economic policy of the nations of the Americas and Western Europe, there were some radical changes from Roosevelt's intentions; but they were somewhat limited in their scope. The general principles of the Roosevelt-directed Bretton Woods reform were in effect, during the 1946-58 interval, and somewhat later. But, following the period of mounting crises which erupted with the 1961 retirement of President Dwight Eisenhower, history moved in a radically new direction.

1962-64 events including the 1962 missile crisis, the threats to President Charles de Gaulle, the ouster of the U.K.'s Harold Macmillan, the pressured retirement of Germany's Konrad Adenauer, the 1963 assassination of President John F. Kennedy, and the 1964 launching of the U.S. war in Indo-China, marked a change of direction in history. From 1964 on, the U.S.A. and the United Kingdom under Prime Minister Harold Wilson, led the Americas and Europe into an increasingly decadent, post-1964 form of globally projected economic and social policies.

So, from about late 1964 onwards, the U.S.A. and the U.K. led the world in an accelerating transformation from the economically-protectionist, production-oriented IMF policies of the initial period of postwar European reconstruction, 1946-64, into the economic and cultural decadence of a 1971-2002, increasingly radically monetarist, "consumer society" practice.

Now, more recently, since 1997-98, a series of world monetary and financial crises, and the 2000-01 collapse of the so-called "New Economy" bubble, the world economic system which emerged over the 1964-2002 interval, has reached the terminal phase of its existence. The nations of the world, and their economies, could outlive the presently ongoing collapse of the world's present monetary-financial system, but the monetary-financial system itself is now doomed beyond all vain hopes for its recovery.

The emergence of a broad system of economic cooperation throughout much of Asia, now gathered around the "Strategic Triangle" of Russia, China, and India, presents the opportunity for greatly expanded, long-term economic cooperation between Europe and Asia. Large-scale, more or less continental systems of basic economic infrastructure, define the most essential feature of a generalized economic recovery: provided the present monetary-financial system is scrapped in favor of a return to something like the original Bretton Woods system.

The accompanying three figures illustrate the point. The first is an idealized representation of the relative changes in real (physical), monetary, and financial aggregates over the 1966-99 interval. "Post-industrial" policies in the Americas and Europe are collapsing levels of per-capita output, while monetary expansion is feeding an inflationary growth of nominal financial values. The second figure is also an idealized one; this continues the 1966-99 developments into 2000-02; see that the amount of monetary expansion needed to support financial markets now exceeds the amount of financial values subsidized by monetary expansion. The third figure shows the 2000-02 crossover in terms of current statistics for that period. The present monetary-financial system, under the announced policies of U.S. Federal Reserve Chairman Alan Greenspan, is now gripped by the same general types of hyperinflationary policies which collapsed Germany's Reichsmark over the June-November 1923 interval.

This is the meaning of a "systemic," rather than merely "cyclical crisis." In the case of a "cyclical crisis," a recovery could be induced without any truly radical changes in the system. In the case of a "systemic crisis," only a sweeping replacement of the axioms of the system, will permit a recovery to occur. The world has reached the point today, that without precisely those radical changes, back to something like the 1946-58 Bretton Woods monetary system, no recovery of the economies of the Americas and Europe will probably be possible within the lifetime of presently adult generations. Under those conditions, the fate of Asia and Africa can be broadly estimated.

Although the danger of a full-scale U.S. war against Iraq was averted, at least temporarily, about the time of the Nov. 5 U.S. mid-term elections, the forces committed to the more or less perpetual, more or less Asia-wide "Clash of Civilizations" war proposed by Bernard Lewis, Zbigniew Brzezinski, and Samuel Huntington have not yet been uprooted. The danger of such a war is not caused by any economic motives as such; it is the kind of continuing danger of warfare which prevails during any period of protracted economic crisis caused by a failed monetary-financial system such as the present system, such as 1928-33. Past history warns the world today: Either a radical reform of the world's present economic system occurs very soon, or potential catastrophes, such as perpetual, genocidal wars, would tend to become actual ones.

In all well-known cases of collapses of political systems, it was never the leaders who caused that collapse. The leading cause of the collapse was, as in ancient Rome, essentially, prevailing popular opinion expressed by the popular spectators in the Roman gladiatorial arena. The function of leaders in such a period of danger is to lead the people to give up the foolish opinions by means of which they are bringing punishment upon themselves. Often the doom of a people is caused simply by the lack of such leaders, as by failed leaders. Sometimes, such leaders are available, but they are rejected. Such is the nature of a crisis of leadership under conditions of a culture's systemic crises.

We see this type of crisis of leadership in the Americas and Europe today. The threat to unleash a new Middle East war by October or November, was averted chiefly by actions centered around the executive functions of governments, such as important sections of the U.S. military and heads of state and governments in Europe. The parliamentary parties were predominantly useless in this crisis situation, as, with the exception of Italy, the ruling political parties of Europe and the Americas have been useless, or worse than useless, in dealing with the systemic causes of the present world monetary-financial crises.

That situation is typical of history. Mass-based political parties tend to reflect prevalent popular opinion, such as the popular opinion induced by today's financier-controlled popular mass entertainment and news media. So, U.S. popular opinion caused the U.S. plunge of 1922-29 into the 1929-33 economic crisis. President Franklin Roosevelt was the needed leader who led the majority of the U.S. people out of the kind of folly which took over Germany through President Paul von Hindenburg's appointment of Adolf Hitler. Similarly, it was the leadership of France's Cardinal Mazarin which was crucial in organizing that 1648 ecumenical Treaty of Westphalia which brought the religious wars of 1618-48 to an end.

In the short term, good leadership within the framework of the executive agencies of governments can often postpone catastrophes threatened by systemic crises. In the longer term, the needed changes must be brought about by winning the leading layers within the population to adopt the needed changes in their popular opinion.

Leaders of the quality needed to define needed changes in popular opinion, such as the U.S.A.'s Benjamin Franklin, Abraham Lincoln, and Franklin Roosevelt, are relatively exceptional figures in history so far, but, in times of systemic crisis no escape from disaster were likely to occur without their appearance.

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

### **U.S. Dollar Continues To Sink, as Gold Rises**

The U.S. dollar hit a three-year low against the euro, as the price of gold soared to new heights. The dollar dropped to \$1.0487 per euro at the close of trading Jan. 8, having fallen as low as \$1.0534 per euro, its weakest since November 1999; and fell to 119.06 yen. Gold jumped \$6.60 to \$354.30 per ounce, the highest closing price since April 1997.

### **GM: Pension Costs To Triple, Profits Slide in 2003**

General Motors says pension costs will triple in 2003, and profits tumble, as it cuts projected investment returns, *Bloomberg* reported Jan. 9. The world's largest automaker, whose underfunded \$76-billion pension fund (covering almost 650,000 active and retired workers) is the biggest in the U.S., lowered the projected growth rate for assets in its retirement account from 10% to 9%—after its pension fund lost 7% of its value in 2002 because of the stock-market collapse. The lower growth rate caused the estimated pre-tax pension expense this year to jump to \$3 billion, from \$1 billion in 2002. As a result, GM said it expects earnings to fall about 26%. The pension deficit, according to GM, doubled to \$19.3 billion at the end of last year, compared with \$9.1 billion at the end of 2001.

"GM is just the first crack in the dike," said an analyst quoted by *Bloomberg*.

Imagine what GM's underfunded status—and profit—would be, were the company to acknowledge the reality of the stock-market death spiral. Phantom pension earnings, according to one estimate, accounted for 69% of profit reported by U.S. companies in 2001.

### **New Year Opens With Surge of Layoffs**

U.S. companies announced 1.467 million job cuts in 2002. Firms said they intended to slash more than 92,900 jobs from their payrolls in December, a 41% drop from the 157,500 planned layoffs in November, but "not ... an indication of a downward trend," according to employment research firm Challenger, Gray & Christmas.

### **Buyout of Beth Steel To Force Huge Layoffs**

Forty percent of Bethlehem Steel's workforce will be laid off when ISG acquires the company, the *Cleveland Plain Dealer* said Jan. 7. Buy-out expert Wilber Ross, a former top executive for Rothschild financial interests, who created ISG to pick up the bankrupt LTV Steel at bargain basement prices in 2002, has posted an official \$1.5-billion bid for Bethlehem's assets. It is an open secret in the industry that the deal involves the layoff of at least 40% of Bethlehem's current 12,000-person work force and the imposition of a labor contract identical to that just negotiated between ISG and the United Steelworkers of America, drastically reducing pensions and health benefits, and eliminating many work rules.

Ross is repeatedly quoted in the media boasting about the productivity of ISG with its greatly reduced work force and "more flexible" work rules. Both the current Bethlehem management and the union justify the deal and the layoffs on the dubious grounds that everyone will be even worse off if Bethlehem simply goes under. While it appears to be a done deal, official acceptance by Bethlehem's management and approval by a Federal bankruptcy court are still required.

The combination of the two companies would result in the largest single integrated steel producer in the United States and create a model which would dominate what's left of the industry.

### **AT&T To Cut Thousands More Jobs; 4Q Profits Threatened**

AT&T will slash 3,500 more jobs, and report \$1.5 billion in expenses, likely wiping out fourth-quarter profits, the company announced Jan. 6. The largest U.S. long-distance phone company, said the majority of the job cuts (4.9% of its workforce)—in addition to the 10,000 positions shed in the past two years—will occur at the division that sells phone and data services to businesses, and mainly affect managers. The job cuts will cost \$240 million. The company will also lower by \$200 million the value of its high-speed Internet network; and take a \$1.1-billion charge to write down its 69% stake in AT&T Latin America, which may file for bankruptcy protection.

### **Alcoa Reeling from Aerospace Meltdown; 8,000 Jobs To Go**

Alcoa, hit by the collapsing aerospace industry and falling aluminum prices, will jettison another 8,000 jobs, mainly at businesses that supply makers of aircraft and power-plant turbines—and sell some packaging, chemicals, and construction businesses in order to reduce debt. The world's largest aluminum producer said its fourth-quarter loss widened to \$233 million.

## Factory Orders Down as Businesses Cut Capital Spending

U.S. factory orders fell in November for a third month in four, as businesses cut capital spending, the Commerce Department stated Jan. 7. New orders for U.S. manufactured goods dropped 0.8% in November, compared to October, to \$319.3 billion, led by a decline in transportation equipment. Orders for non-defense capital goods, excluding aircraft, which is an indicator of business spending plans, tumbled by 2.6%. "There is no pickup in investment spending, and it doesn't look like it's going to pick up any time soon," said an economist at Dresdner Kleinwort Wasserstein.

## Health-Care Costs Dominate Labor-Industry Negotiations

Rising health-care costs have become the number one issue at the bargaining table, as medical costs rise and employers demand higher premiums from employees, *USA Today* reported Jan. 9. Up to 17,500 General Electric workers may be out on strike by this week, if GE's demand for concessions on health-care payments is not modified. GE's demand would hike co-pays for specialists from \$15 to \$25, and emergency-room visits from \$30 to \$50. When Boeing workers threatened a strike last summer, increased health-care premiums were a key sticking point. When they settled, "No one liked the [Boeing] proposal, but the economy is so bad here—and 30,000 Boeing workers had been laid off—that people were afraid to strike," an International Association of Machinists District leader said.

By spring-summer 2003, contracts will be negotiated for auto, telecommunications, and state employees. It is expected that these negotiations, too, will include health-care concessions as a number one issue.

## Home Foreclosures Edge Up to Record Levels

U.S. home foreclosures rose to 1.15% of over 34 million mortgages at the end of the third quarter of 2002—up from 1.13% in the second quarter, according to the Mortgage Bankers Association of America, in a report released Jan. 7. The previous high was 1.14% in 1999. Moreover, the foreclosure rate on so-called subprime loans, held mainly by low-income people, rose to 8.58%. Overall, the percentage of mortgage loans that are delinquent (at least 30 days past due) fell slightly to 4.66% at the end of September, down from 4.77%—subprime loans had a delinquency rate of 14.28%.

## Wall Street Police Blotter

\*Former **Adelphia Communications** accounting director **Timothy Werth** pleaded guilty to fraud in Manhattan Federal court on Jan. 10. Werth entered a guilty plea to one count of securities fraud and one count of conspiracy to commit securities, wire, or bank fraud, charges which carry a combined maximum of 15 years in prison. Under a plea agreement, requiring him to cooperate fully and truthfully in the government's case against the bankrupt cable TV operator's founder **John Rigas** and sons, Werth could receive a lighter sentence.

\***Tenet Healthcare** has been sued by the U.S. Justice Department for \$323 million, for filing false Medicare claims from 1992-98, that improperly classified illnesses to inflate reimbursement from the government program. The lawsuit, filed in Los Angeles on Jan. 9, accuses Tenet of manipulating diagnosis codes for pneumonia, septicemia, and other illnesses, a practice known as "upcoding." The Justice Department charges, for example, that about 70% of Tenet's Medicare claims for a certain kind of pneumonia were falsely coded to a diagnosis that had a \$4,000 higher reimbursement.

Federal investigators, in a separate probe, are looking into why a disproportionate number of Tenet's patients have been classified as "outliers," a term for patients requiring care that costs more than the average payment rate, and triggers larger Medicare reimbursements.

# WORLD ECONOMIC NEWS

## German IPO Market Vaporizes

In the late 1990s, German bank managers announced they had discovered the perfect scheme to boost profits: Abandon their traditional extension of credit to German firms, and instead, jump into the booming investment banking—in particular, managing takeovers and initial public offerings (IPOs). Unfortunately, by the time German banks became competitors of U.S. and British investment banks, the whole investment banking sector collapsed. The figures for the German IPO market in 2002 are dramatic: The value of German IPOs crashed from \$20 billion in 2000 to just \$135 million in 2002, a decline of 95%. None of the four top German banks—Deutsche Bank, HVB Group, Dresdner Bank, and Commerzbank—could arrange a single IPO in Germany throughout the entire year of 2002. This means that the banks could not generate one pfennig of revenues from this particular business. Compared to 168 IPOs in the German "New Market" in 1999, and another 153 in 2000, there had been just one lonely IPO during 2002—from German windmill maker Repower Systems. Even this IPO was not really successful, since Repower stocks have, in the meantime, plunged well below its initial offering price.

## German Retail Sales Drown in Red Ink

According to the just-released January report of the Bundesbank, German retail sales in November 2002, just after the re-election of the Red-Green coalition, had their second biggest year-on-year drop for any month since German reunification. November retail sales were down 3.7% compared to October and even 6% down from the year ago. For example, car sales in November fell by 7%. Only in the month of August 1997 was there an even bigger slump in retail sales.

The managing director of the German retail association (HDE) Pellengahr emphasized that German consumers were in a state of shock in November, as the government mooted higher taxes and social security contributions. Pellengahr said he expects the downward trend to continue in January. German consumer confidence has now plunged to an eight-year low.

## Venezuelan Bolivar Plunges on News of Bank Workers' Strike

The Venezuelan bolivar lost 5% of its value Jan. 8, as people began buying dollars, following the announcement by the bank workers' union that they will shut down the banks for two days, in support of the national strike against President Hugo Chavez. The currency is already down 12% for 2003.

The financial sharks are beginning to worry about Venezuela's ability to pay its \$22.4 billion in foreign debts, as the strike continues. *Bloomberg* reports \$850 million comes due in the first quarter of 2003, and another \$1.2 billion in the second. Finance Minister Tobias Nobrega reported on Jan. 7 that the government had lost \$2.4 billion in oil and gas revenues because of the strike. (Eighty percent of Venezuela's export income is generated by oil.) Foreign currency reserves have dropped by 5.6% since the strike began Dec. 2, to \$11.8 billion, according to *Bloomberg*. Another \$2.86 billion has been spent since the strike began from the government's oil fund, a drop of 15%.

A Deutsche Bank analyst is forecasting a 26% collapse in GDP for the first quarter of 2003, since there is no sign of the strike letting up; this is on top of her estimate that GDP fell by 15% in the fourth quarter. No official fourth-quarter figures have been reported yet, but most estimates run in the 12%-15% collapse range.

## Argentina Will Not Meet Jan. 17 Deadline to IMF

Argentina can't meet its Jan. 17 deadline to pay \$1 billion to the IMF, said the country's Ambassador in Washington, Eduardo Amadeo. He made these statements Jan. 7, the day before the IMF board was scheduled to meet to decide whether to grant Argentina an interim agreement, which would roll over the \$8 billion in debt coming due in the first half of this year. An IMF mission will leave for Buenos Aires on Jan. 9, should the board okay the interim agreement. To encourage the IMF, the Duhalde government agreed to lift more of its exchange controls, which had restricted buying and selling of dollars. Among other things, the announced changes will facilitate repatriation of profits abroad, which foreign companies operating in the country have been demanding.

### **IMF Continues To Keep Argentina Guessing**

The IMF has sent a mission to Buenos Aires, but wouldn't say definitely whether there will be a short-term agreement to roll over the \$7.2 billion Argentina has coming due in the first half of this year. The Jan. 8 IMF board meeting in Washington decided to send the mission, but then issued a communiqué refusing to say whether an agreement were imminent, and demanded that the government do more to qualify for any assistance. During the board meeting, Western Hemisphere Division chief Anoop Singh reportedly gave a very negative appraisal of Argentina's progress, according to *Clarín*, while others complained about the "slowness" with which the Duhalde government has moved toward a "sustainable economic program."

In its press release, the Fund stated that Argentina must still achieve "a clear political consensus" in favor of "reform" (translation: "not enough dead people yet"). It also wants a "sound fiscal framework, restoring confidence in the banking sector, increasing trade openness, and restructuring debt."

The IMF mission arriving Jan. 9 was greeted at the airport by protesters denouncing the "International Misery Fund," while government officials said they have no illusions about the outcome of the visit. Cabinet chief Alfredo Atanasof said the IMF communiqué was "positive," but added there are no guarantees that an agreement will be reached before Jan. 17, when Argentina must pay \$1 billion to the IMF.

### **China Makes Big Investments in Water Projects**

China has made huge investments in solving its water-management problems over the past five years. One-fifth of the state Treasury bonds issued in that period—660 billion yuan worth—were used for water projects, Minister of Water Resources Wang Shucheng stated Jan 6. This investment was used for building embankments, upgrading old dams, improving agricultural irrigation systems, and making drinkable water available to more people.

In addition, a special investment fund of 30 billion yuan was used to reinforce the dikes along the Yangtze—using new technologies and materials—to ensure prevention of the disastrous floods of 1998.

### **Chinese Leader Calls for Better Foreign-Exchange Management**

Chinese Prime Minister Zhu Rongji emphasized the importance of better foreign-exchange management in 2003, *Xinhua* reported Jan. 7. He also pointed to the continuing importance of maintaining the current valuation of the *renminbi* (the foreign-exchange version of the yuan), as was done during the Asian financial crisis.

"The stability of renminbi and the sustained increase in foreign-exchange reserves are major signs of the country's improving national strength and sustained and healthy economic development," Zhu stated.

He emphasized that China would face a "severe external economic environment" in 2003, and therefore, the government

should deal with even the current strictly limited convertibility "cautiously." China will also improve its "early-warning system" against risks.

China's foreign-exchange reserves rose 35% in 2002 to \$286.4 billion from \$212.2 billion at end-2001, Zhu reported. In 1993, China's forex reserves were only \$21.2 billion.

### ***People's Daily Warns Against Too Much High-Tech***

China must ensure that its agriculture and basic industry are developed, and that the economy does not get "dragged into a mire" of too much "high-tech" and service "industrialization," warned a commentary in the *People's Daily* Jan. 7.

The ruling Communist Party has a policy of fostering a "new type of industrialization," but this is being "interpreted" by local governments in a way that can lead to problems, the paper said.

"Local economic planners are shunning the manufacturing sectors more and more, and will probably end up dragging China into a mire of 'cored industrialization,' " economist Fan Gang is quoted as saying. By "cored industrialization," Fan meant too much focus on service and hi-tech industries, but inadequately capitalized primary and secondary industries such as agriculture, mining, and manufacturing.

The real policy of the government, is to use advanced technologies to expand industry, but also to maintain a high employment rate. Too many local governments are "swarming into the so-called hi-tech and service sectors," warns the commentary. Localist policies have led to severe problems before, such as during the runaway inflation of 1988-89.

Now, two-thirds of China's technical professionals are working in the service sector, rather than manufacturing, and the total social investment in manufacturing has been declining during the past five years.

"It's ridiculous for all cities to spearhead the hi-tech industries," stated Zhu Gaofeng of the Chinese Academy of Engineering. "Without development in the manufacturing sector, all the other industries cannot grow healthily, which will further worsen the unemployment problem, impede the general improvement of people's living condition and even jeopardize the nation's stability and security."

### ***GDP Growth Alone Will Not Solve China's Economic Problems***

Higher Gross Domestic Product (GDP) alone will not solve the economic problems China is facing, according to the Chinese Academy of Social Sciences' new "Social Trends and Analysis: 2003" report.

While GDP will go down slightly—barring any major disaster or disruption in international financial markets, "Having money alone won't solve the problems we are facing," the CASS report stated. China must "pay more attention to closing the rural-urban disparity in earnings and living standards" and other such structural problems.

Per-capita urban income was 5,793 yuan in 2003, compared to 1,721 yuan in villages. Also, about 100 million villagers remain impoverished. Re-employment of laid-off state workers is also a serious problem, with the proportion of those who have found new employment falling from 50% in 1998, to 30% in 2001, and about 20% in 2002. About 20 million urban residents are living on minimum-wage standards or below the poverty line, the CASS reports, and China must solve these problems. (See also ASIA DIGEST.)

## **Singapore Bankruptcies Hit 17-Year High**

Singapore bankruptcies hit a 17-year high in 2002, while revenue has plummeted. The city-state is suffering its worst economic downturn since independence in 1965, the *Singapore Straits Times* said Jan. 8. A total of 3,587 individuals declared bankruptcy in 2002, an 11% rise from 2001, and the highest level since 1986. A total of 265 companies shut down in 2002, a 5% increase from the previous year.

Singapore's revenue plummeted by \$2.47 billion in the first nine months of 2002, when compared to the same period in 2001, indicating the rate of collapse in the economy. The \$11.31 billion collected by the state from Jan. 1 to Sept. 30, 2002, represented a drop of 18% from the \$13.78 billion it received as operating revenue over the first three quarters of 2001.

Prime Minister Goh Chok Tong warned recently that Singapore's economy is unlikely to recover fully before 2004. He warned that a possible war with Iraq would add to global economic uncertainty, and could further damage the domestic economy in 2003. Singapore's economy grew 2.2% in 2002, reversing a 2% contraction in 2001, but it is battling its highest-ever unemployment levels, which hit 4.8% in the third quarter of 2002, eclipsing the previous high of 4.3% seen during the 1997-99 Asian financial crisis.

## **UNITED STATES NEWS DIGEST**

### **Bush Talks to Reporters on Iraq, Korea**

Following a Cabinet meeting Jan. 6, President Bush briefly answered reporters' questions on Iraq and North Korea.

Asked about the recent speech in which Saddam Hussein charged that the UN inspectors "are carrying out intelligence work," Bush said, "Well, I thought that was an interesting statement on his part. And when you combine that with the fact that his declaration was clearly deficient, it is discouraging news for those of us who want to resolve this issue peacefully. He has the obligation to disarm. For the sake of peace, he must disarm; the United Nations has clearly said that. It is in our nation's interest that he disarm. He is a threat to the American people. He is a threat to our friends and neighbors in the Middle East. He is a person who has used weapons of mass destruction. And so, therefore, the world has said to Saddam, you won't have any weapons of mass destruction; get rid of them. And thus far, it looks like he hasn't complied. But he's got time, and we continue to call upon Saddam Hussein to listen to what the world is saying, not just the United States, but the entire world expects Saddam Hussein to disarm."

Asked, "What would it take for the U.S. or any other nation to have direct talks with North Korea? And they claim to believe that the U.S. is a threat to them...."

President Bush replied, "First of all, I went to Korea and clearly said that the United States has no intention of invading North Korea. I said that right there in South Korea, in Kim Jong-il's neighborhood, I spoke as clearly as I said; and [I] said, 'We won't invade you.' And I repeat that: We have no intention of invading North Korea. We expect North Korea to adhere to her obligations. She made an agreement with the United States and said that she would not develop nuclear weapons, and we expect people to keep their word. We will have dialogue. We've had dialogue with North Korea. The Secretary of State visited with the Deputy Foreign Minister—the Foreign Minister, excuse me. And talking is one thing, but we expect people to honor obligations. And for Kim Jong-il to be a credible member of the world community, he's got to understand that he's got to do what he said he's going to do. I believe this will be resolved peacefully ... it can be resolved diplomatically."

## **Administration Members 'Subtly Distance' Themselves from Doctrine of Preemption**

According to reporter Michael Dobbs, in a p. 1 *Washington Post* story Jan. 6, members of the Bush Administration are "subtly distancing themselves" from the doctrine of preemption announced last summer. In the article, "North Korea Tests Bush's Policy of Pre-Emption," Dobbs indicates that much of the doctrine was written in 1992 by Paul Wolfowitz as the "Defense Planning Guidance," and was ultimately rejected at that time by the first Bush Administration.

Dobbs uses the example of the criticism of the "double standard" applied to Iraq and Korea, to make his point, but he's describing what he sees as a much bigger shift. He quotes President George W. Bush at a Ft. Hood, Texas press conference last week as saying that "different circumstances require different strategies, from the pressure of diplomacy to the prospect of force."

"Administration officials from the President Bush on down are subtly distancing themselves from elements of the new doctrine of strategic pre-emption announced last summer," writes Dobbs. "They are insisting that the pre-emption doctrine ... [that is] to use force, unilaterally if necessary to confront potentially hostile states bent on acquiring weapons of mass destruction—was an option of last resort never intended to apply in all cases." Several "senior officials" are quoted anonymously, to the effect that the Administration "never said that it was going to go around pre-empting in every instance ... there are many other options." Another unnamed Administration official says that "National security documents are ... snapshots.... They tell you something about people's thinking, but they are not the American equivalent of Mao's Little Red Book."

In fact, Dobbs points out, the real "intellectual origin" of the preemption doctrine is Wolfowitz, but when the draft of the "Defense Planning Guidance" was leaked to the *New York Times*, it sparked "great controversy," and was rewritten.

The article also quotes Zbigniew Brzezinski, who cynically remarks that the Iraq/North Korea distinction shows that the doctrine of "preemption" is to be used on weaker states, which cannot retaliate. He says, "It is less risky and more satisfying to beat up someone who is less threatening than someone who is more threatening." Another hawk-Democrat, Prof. Joseph Nye of Harvard, says that preventive strikes "make sense against terrorism," but are "unwise against states."

## **'The American Empire (Get Used to It),' Says *New York Times* Magazine Piece**

"The American Empire (Get Used to It)," screamed the cover of the Sunday *New York Times* magazine section Jan. 5. The feature story—"The Burden," by Michael Ignatieff—is decidedly pro-empire, and Ignatieff was interviewed on *NPR* radio declaring that an American empire is a necessity, in his view. Look for this article to get global play.

The article began by discussing the "tension" between President Bush's statements that the U.S. doesn't want to be an empire, versus the so-called necessity, allegedly brought on by the Sept. 11 attacks, for the U.S. to use its global power to bring "order" to the world.

The impending war with Iraq was presented as the portal into the U.S. imperial role, the implications of which have not been fully faced. Ignatieff wrote:

"Iraq is an imperial operation that would commit a reluctant republic to become the guarantor of peace, stability, democratization and oil supplies in a combustible region of Islamic peoples stretching from Egypt to Afghanistan. A role once played by the Ottoman Empire, then by the French and the British, will now be played by a nation that has to ask whether in becoming an empire it risks losing its soul as a republic."

Ignatieff asked whether it's worth it for the U.S. to go ahead in the matter of Iraq, but declared it is. This would be regime change, but it would help people, he said (as in Bosnia and Kosovo).

Ignatieff admitted an attack on Iraq would lead to pitting the U.S. against the entire Muslim world, and create more instability. The only palliative available, he claimed, would be U.S. action to solve the Israeli-Palestinian crisis, with the eventual creation of a Palestinian state.

Brushing aside the objections of the Europeans, Ignatieff discussed the tasks of imperialism, primarily that of "bringing order." This must be done by enlisting the aid of others, and avoiding the Romans' mistake of "vanity or ignorance." He concluded that the attainment of an age of independent, equal, and self-governing nation states has failed, allegedly due to the failure of nationalist movements, and the evil designs of the Islamists.

So, "the case for empire is that it has become, in a place like Iraq, the last hope for democracy and stability alike." It's a (Hobbesian) struggle as to who will be on top.

A longtime senior U.S. diplomatic source provided a somewhat different assessment of the Ignatieff piece—particularly in response to Lyndon LaRouche's question about why the *New York Times* would be running such a piece at this time. The source, a former U.S. ambassador, said that he thought the message of the article boiled down to a few key paragraphs and a very blunt warning to the Bush Administration: Don't launch a war on Iraq, unless you are also prepared to dictate a just peace between the Israelis and the Palestinians.

The source placed the Ignatieff warning to the Bush Administration in the context of the *International Herald Tribune* publication Jan. 7 of an op-ed by the Council on Foreign Relations' Henry Siegman, warning of Ariel Sharon's true intentions to batter the Palestinians into submission. On the larger issues of imperialism and the American global role, the source stated his view that this was window-dressing to get the essential message across to President Bush and his top advisers: Don't go to war in Iraq unless you are prepared to take on the Israel-Palestine issue for real. Otherwise the consequences will be a foregone disaster.

### **Britain's Rees-Mogg: U.S. Shouldn't Be Shy About Proclaiming *Pax Americana***

Britain's Lord William Rees-Mogg commented Jan. 6 that the United States was being too coy about proclaiming an empire, stating: "My greatest concern is that the U.S. is too bashful about proclaiming its *Pax Americana*. After 200 years, *Pax Britannica* realized the importance of government building and regime changes to regimes that are friendly. So far, the U.S. has shirked this responsibility."

Rees-Mogg said he believes that a war against Iraq is essential to stem the "instability" in a region of vital interest—e.g., bordering on Kuwait and Saudi Arabia—and said he believes the reason British Prime Minister Tony Blair and Foreign Secretary Jack Straw have been publicly backtracking from war rhetoric, is a ploy to diminish any backlash: "Labour Party leaders have had quite a bit of agony from their base. Also, the Lib Dems have been attacking Labour. It is really only the Conservative Party that is prepared to do precisely what Washington wants.... [However,] the Prime Minister can deal with Old Labour and the Lib Dems. He is trying to look reasonable. He is saying that there will be no military action before a second UN Security Council Resolution and repeating that war is not inevitable. This cuts the ground out from under his critics."

Asked about the "unilateralists" in the U.S., who believe that as the world's sole hegemon, the United States can go it alone against Iraq, etc., Lord Rees-Mogg said: "The Wolfowitz crowd displays the height of arrogance. You need as many friends as possible. They are stupid. I find Colin Powell's coalition-building diplomacy far more reasonable."

Asked whether President Bush's attitude should be "off with their heads" toward Wolfowitz and the "Wolfowitz cabal," Lord Rees-Mogg said, "Yes, his would be a very suitable head to roll."

### ***U.S. News and World Report on the New Imperium***

"The New American Empire?" is the cover headline of the latest issue (Jan. 13) of *U.S. News and World Report*. It doesn't look like a coincidence.

The article, unlike Michael Ignatieff's in the *New York Times*, takes a "historical" approach, seeking to trace the strains of U.S. foreign policy from the nation's inception, and to analyze the Bush National Security Doctrine in that context. The parameters used for the discussion are derived from Pennsylvania historian Walter McDougall's book *Promised Land, Crusader State*, published in 1997. McDougall's book is a mishmash, which traces eight "strains" of U.S. foreign policy thinking, ranging from "exceptionalism," to the "American system" to "liberal imperialism" to "global meliorism."

Ultimately, the article, by Jay Tolson, presents a defense of the Bush Security Doctrine, citing its "moderate" phrases and commitments to work with multilateral organizations, and the desire to create "free and open societies."

By leaving out the economic dimension of U.S. (and IMF) relations in the world, however, he totally skews the picture. Tolson ends up defending National Security Adviser Condoleezza Rice's outlook as a kind of "benevolent" imperialism, like that which led to the rebuilding of Japan and Germany after the war.

One gets the idea that the key purpose of this article—long, confused, and turgid as it is—is the headline.

### ***Stratfor News Service Analyzed 'The American Empire'***

*Stratfor News Service* ran an editorial analysis called "The American Empire" on Jan. 8—just days after the Ignatieff piece in the *New York Times*. Stratfor, a relatively new thinktank of retired military and others, says that it's not "whether this should happen. It is happening." The U.S. was thrust into the role of empire, it argued, by the combination of the fall of the Soviet Union and the collapse of the Japanese economy, leaving the U.S. alone at the top. America had no "appetite" for empire, but 9/11 created an "obsession" with destroying al-Qaeda, which could only be done by intervening everywhere. Now, the U.S. not only has forces all over, "but [has] also moved deeply into the governments, intelligence agencies and security apparatus of many of these countries." Our "advisers" are really "commanding."

This "unintended" imperial takeover contradicts U.S. history as "the first great anti-imperial" nation. This country has no economic need for empire, it simply wants to defeat al-Qaeda, and is "unable to secure its safety without controlling others." Americans "have not yet constructed a coherent picture or named what they are getting into: empire." This will be harder to abandon than even the Cold War was. "How can a democratic republic and an empire coincide? Once this was an interesting theoretical question. Now it is the burning—but undiscussed—question in American politics."

The analysis concludes: "A global empire whose center is unsure of its identity, its purposes, and its moral justification is an empire with a center that might not hold."

### ***Rumsfeld Pushes Ahead with 'Operation Phoenix' Reorganization of Special Forces***

The Jan. 6 *Washington Times* reported that Defense Secretary Donald Rumsfeld has approved a plan to give the Special Operations Command (SOCOM) the ability to plan and carry out independent missions globally, not subordinate to the

theater combatant commands. The types of missions contemplated are, according to the *Washington Times*, "to kill or capture terrorists around the world."

At present, SOCOM's troops, which include the Army's Delta Force, Navy SEALs, and other special operations forces, come under the authority of combatant commanders-in-chief (CINCs), such as the Central Command or Pacific Command, when they conduct combat operations.

The plan described by the *Washington Times* is precisely what was portrayed by Seymour Hersh in his "Manhunt" article in the Dec. 23 *New Yorker* magazine, which said that Rumsfeld was planning to turn Special Operations Forces into assassination teams reminiscent of the Phoenix Program in Vietnam, which assassinated more than 8,000 suspected Communist sympathizers in the year 1970 alone.

The Hersh article reported that Gen. Charles Holland, the Commander of SOCOM, was the subject of complaints by Rumsfeld and Rumsfeld's aides, who accused Holland of having a case of the "slows," for not wanting to turn SOCOM into a global assassination squad. The *Washington Times* article, however, said that Holland, who was reluctant over the summer, is now "enthusiastic" about the reorganization.

### **John McCain Demonstrates His Insanity in Discussing North Korea**

"Manchurian candidate" Senator John McCain (R-Ariz) demonstrated his insanity on CBS-TV's "Face the Nation" Jan. 5, in discussing North Korea. McCain raved that because North Korea is the "most oppressive nation in the world, which we've been propping up indirectly by our hundreds of millions of dollars of oil and food support," we should not negotiate, and that the Chinese, "who have been less than helpful so far," must be forced to impose an embargo on the North Koreans. The Bush Administration has said repeatedly that it will not use food as a weapon; the U.S. supplies food to North Korea, 2 million of whose population have starved to death in recent years.

"One of the options we have," McCain continued, "is, of course, is to remove our objections to Japan developing nuclear weapons, since they are directly threatened by North Korea. I'm sure the Chinese would not like to see that happen." Not sure he heard it right, CBS moderator Bob Schieffer said: "I want to make sure I understood what you said. You're saying we should now tell the Japanese that they have the right to develop nuclear weapons because North Korea has developed them?" McCain answered, "Yes."

### **McCain-Lieberman Duo Announce Joint Offensive for Carbon Emissions Limits**

The notorious joined-at-the-hip Senators John McCain (R-Ariz) and Joe Lieberman (D-Conn), whose organized-crime links and "Bull Moose" tactic against the Bush Administration were exposed by Lyndon LaRouche, were arm-in-arm once again in the *Washington Post* Jan. 9, making public new joint legislation to limit carbon dioxide emissions from the electric utility, transportation fuel and manufacturing sectors to year 2000 levels by 2010.

The Democratic Leadership Council's website discusses the "Bull Moose" implications of the McCain-Lieberman tactic openly, without calling it that. The DLC newsletter says President Bush abandoned his campaign pledge to "cap" electric utility emissions of carbon dioxide, "unilaterally torpedoed the Kyoto Protocol to the United Nations," and has recently proposed to "study" the problem more before any action. Even though Senate Environment Committee Chair Jim Inhofe (R-Okla) has made it clear that no legislation on global climate change will get anywhere his committee, McCain flanked this on the first working day of the 108th Congress, with hearings in the Senate Commerce Committee he chairs, where he and Lieberman unveiled their plan. The DLC cheers McCain on, noting that "public opinion surveys have always shown that Republican rank-and-file voters are 20 shades greener than the President or Sen. Inhofe."

To complete the picture, Lieberman set a press conference to announce his candidacy for the Democratic nomination for President, to occur just as *EIW* was going to press, on Monday, Jan. 13, at the high school he attended in Stamford, Conn.

### **Illinois Governor Commutes Sentences of All on State's Death Row**

In an historic development, the most important in the anti-death-penalty fight since the reinstatement of the death penalty in the 1970s, outgoing Illinois Governor George Ryan (R) on Jan. 11 announced during a speech at Northwestern University that he was issuing a blanket commutation for all 157 Death Row inmates in the state. Ryan, a former supporter of capital punishment, compared the fight for the abolition of the death penalty to the civil rights struggles of the 1960s. In an hour-long speech, Ryan quoted Illinois' favorite son Abraham Lincoln: "Mercy bears richer fruits than strict justice."

### **IBERO-AMERICAN NEWS DIGEST**

#### **Neo-Cons Tighten Grip on Bush Ibero-American Policy with Reich Nomination**

The White House announced Jan. 9 that Iran-Contra operative, Cuban-American neo-con, and former Bacardi Rum lobbyist Otto Reich, has been named President Bush's "special envoy for Western Hemisphere initiatives," reporting to National Security Adviser Condoleezza Rice, a post that does not require Senate confirmation.

The President reportedly decided not to re-submit Reich's name for Senate confirmation as Assistant Secretary of State for Inter-American affairs, where he served from 2001-02, after incoming Senate Foreign Relations Committee chair Sen. Richard Lugar, a Republican, made clear he would not welcome a Reich nomination. Lugar told an interviewer that he had encouraged Secretary of State Colin Powell to appoint a "big-leaguer" to handle Ibero-American affairs. (Reich was never approved by the Senate; the first year, he served as Acting Assistant Secretary, until Bush gave him a recess appointment.)

The White House also announced that it was nominating the current U.S. Ambassador to the Organization of American States (OAS), Roger Noriega, as Assistant Secretary of State. Noriega is no "big-leaguer." This long-time staffer for Sen. Jesse Helms (R-NC), while a Mexican-American, made his career by running with the right-wing Cuban-American crowd. The Washington correspondent of Brazil's *O Globo* calls the Noriega nomination a "new defeat" for Powell, who had been widely reported to favor the current U.S. Ambassador to Colombia, Anne Patterson.

Reich is reported by the *New York Times* to be one of the "hardliners" who want to impose tougher terms against Cuba, continuing to declare it to be a "hostile" country. Reich's ally in this, reportedly, is John Bolton, who is now the chickenhawk Undersecretary of State for Arms Control and International Security, who comes from the neo-con think tank, the American Enterprise Institute (AEI) Last year, Bolton made a brief but splashy attempt to start a "red scare" against Cuba, when he charged it was developing bio-weapons. Rival officials in the Bush Administration produced reports skeptical of Bolton's scare stories.

#### **New Minister Says Brazil Must Master 'All Scientific Knowledge'**

Brazil must master "all scientific knowledge," declared the new Science and Technology Minister Robert Amaral, including mastering "the technology of the atomic bomb." This would not be to build a bomb or weapons of mass destruction, he said, but to apply nuclear technology in all areas of scientific endeavor: medicine, combatting hunger, and energy, among them. Amaral's comments, published Jan. 6 in an interview with *BBC*, immediately provoked howls of protest from various anti-technology quarters, because of his emphatic statement that Brazil must master "all scientific knowledge ... of the genome, of DNA, and of nuclear fission."

Amaral elaborated: "There is a strategy when you have a project [to build a] Nation. There are long-term objectives, to which medium- and short-term ones are subordinate." The military must be equipped, and allowed to develop its own advanced technology, he emphasized. Amaral indicated his understanding of the concept of a "science-driver" for the economy, as well: "When you obtain the technology to build a [nuclear] submarine, this is not an isolated technology. You get progress in various fields, simultaneously: in mathematics, engineering, physics, and computer [technology]. So, the submarine has that strategic role." He also referenced the satellite technology Brazil is jointly developing with China.

Amaral told *BBC* that his Ministry would prioritize the areas of space and nuclear technology, and that "in the area of nuclear medicine, we hope to move forward also.... In the use of the atom for peace, we are advancing greatly. In the area of energy as well." Amaral said he thinks the new Lula da Silva government should restart construction of the now-stalled Angra 3 nuclear plant, on which a decision will be made next April. Nuclear energy "is strategic" for the country, he said. Brazil is a peaceful country, a defender of peace, but it must be prepared, including technologically...."

His remarks set off a wave of hysterical reactions among Brazilian and international media, as well as numerous environmentalists NGOs, some of whom threatened that such remarks set up Brazil to be treated like North Korea.

### **Castaneda Resigns From Fox Cabinet, to the Relief of Many**

Mexico's Foreign Secretary Jorge Castaneda has offered his resignation, President Vicente Fox acknowledged Jan. 8. It is expected that Fox will accept the resignation, since Castaneda was the Cabinet Minister who generated the most opposition to the Fox government from across the political spectrum.

Before assuming the post of Secretary of Foreign Relations, Castaneda was an armchair leftist activist, who preferred to teach in U.S. universities. Once in office, he became a stalwart defender of globalization, and argued that Mexico had no options but to follow United States dictates in all matters. Castaneda, who is said to harbor Presidential ambitions, had let it be known for some time that he wanted out of his position, reportedly preferring the more politically useful post of Secretary of Government or Education, which Fox did not want to give him.

Statements of relief that Castaneda is leaving were issued by Senators from every Mexican party, including Fox's own PAN. The question now is, will Castaneda's annexationist policy be dumped along with him?

### **Fox Opens Discussions with Farmers on Hated NAFTA Decrees**

Mexican President Vicente Fox personally opened the first round of discussions with farm leaders on Jan. 6, to hammer out a "National Accord for the Countryside" by the end of January. Fox acknowledged that 30% of Mexico's rural families "live or survive" on an income of less than one dollar a day, but he insisted NAFTA was the law, and, like his Agriculture Secretary Javier Usabiaga Arroyo (see below), lectured the farmers that they should put aside their individual interests, and work to make agriculture "profitable and competitive," suggesting they produce crops where Mexico has a comparative advantage under NAFTA, and the like.

If the Fox government sticks to this policy, the country will blow up. The government won a 20-day reprieve at the end of December by agreeing to hold negotiations on the National Accord, but the situation has not calmed down. Protests were held Jan. 6 at seaports, airports, and two border points. Much of the action is being directed by groups dominated by left-populist/Zapatista tendencies, who named the series of actions they have planned from Jan. 5 to Feb. 5, "a great national insurgency." They promise to mobilize a half-million peasants throughout the country in fasts, marches, blockades, and "symbolic" closings of ports, custom houses, and borders through which food enters the country.

## **Mexican Ag Minister Boomed Off Stage by Peasant Federation**

Several hundred National Peasant Federation (CNS) delegates attending an international conference on "The Countryside: Our Struggle for Justice," staged a raucous protest Jan. 6 against Agriculture Secretary Javier Usabiaga Arroyo, when he lectured them that the farm crisis was their own fault. Usabiaga said they needed to stop complaining, and learn to take care of their farm machinery, follow "modern" weather reports better, and develop "financial instruments" to secure better sales. His bodyguards were pushed around as they hustled him out of the hall, in the midst of chaos and demands for his resignation.

The CNC had called upon the Fox government to declare the agriculture-sector crisis to be "an emergency situation," and to take diplomatic initiatives to draw up an agricultural accord parallel with NAFTA with the U.S. and Canada. Foreign Minister Jorge Castaneda told the CNC conference on Jan. 4 that the Fox government had no intention of renegotiating the agriculture portion of NAFTA, a proposal he called "simplistic."

## **Senator Warns Farmers: Don't Accept Globalization**

Senator Antonio Cafiero told the CNC conference (see above) that they must not make the same mistake that Argentina did by accepting globalization. Pointing out that today, globally, the wealthiest 358 people possess as much wealth as the poorest 1.5 billion, Cafiero (Peronist Party) issued "a dramatic call to the Mexican people and government," *El Universal* reported Jan. 5. He appealed to them: "Do not follow literally what the big multilateral mechanisms tell you. Distrust the advice of the techocrats and experts which control these bodies. Find your own path to development and autonomy."

## **Caracas Demonstrations Erupt in Violence; Chavez Threatens Martial Law**

An opposition march of tens of thousands in Caracas on Jan. 3 against President Hugo Chavez ended in a melee, when more than a thousand Chavez supporters—many hooded—gathered at a bridge to block the march, by setting fire to the bushes along the hillside, and throwing rocks and fireworks at demonstrators and the police and National Guard, who were attempting to keep the two groups apart. As in previous demonstrations, unknown persons shot into the crowd, killing at least two people and wounding five others. Another 70-plus were injured by rocks, rubber bullets, and tear gas.

President Chavez responded that he was prepared to impose martial law, if "forced" to do so. Speaking at the Venezuelan embassy in Brasilia at the end of his trip to Brazil Jan. 2, Chavez threatened "violent revolution." Raving that the opposition is led by fascists who "make Adolf Hitler look like a small-timer," he reiterated that "early elections [are] impossible.... Those who close the path to peaceful revolution, open it to violent revolution. This is what is at stake in Latin America," he said. "I am the same revolutionary Chavez" as the one who led a failed coup attempt in 1992, he said, "with necktie, but with the same conception of the goals to be achieved.... I would not want a return to the path of violence."

When it became known that the two killed were Chavez supporters, the regime charged that the Metropolitan Police (PM) were responsible for their deaths (although the fatal bullet wounds were of a different caliber than weapons used by the police), using the murders to advance Chavez's project to eliminate the 11,000-member force. The PM answers to the Mayor of Caracas, Alfredo Pena, an opposition leader—not an insignificant factor in the battle to control the streets of the capital.

The Chavez regime's move to have loyal Army and National Guard units take over the Caracas police in mid-December, was stymied when the Supreme Court ruled the decision illegal, and ordered the Army and National Guard to withdraw from the PM's communications center by Jan. 3, and from all installations by Jan. 9. The regime has no intention of

complying, and the commander of the National Guard in Caracas, Chavista Gen. Garcia Carneiro, on Jan. 6 ordered all PM motorized units grounded. If the police wish to patrol, they can do it on foot, he said.

Nor is the opposition yielding. The teachers' unions voted Jan. 4 that they will join the strike, and bank workers voted to close the banks—already operating only three hours a day—entirely on Jan. 9 and 10.

### **U.S. Neo-Cons Run Network Within Military Opposition to Chavez**

The group of military officers who have come out publicly against Hugo Chavez, operating out of the plaza in Altamira, Caracas, are a mixed bag of decent fools and fundamentalist nuts, but the website maintained in their name, [www.MilitaresDemocraticos.com](http://www.MilitaresDemocraticos.com), reveals a nasty operation by the U.S. chickenhawk crowd who would hook up their chaos operations in Ibero-America to the war against civilization in Iraq.

The English-language section of the slick website raves about the dangers of a joint Saddam Hussein-Fidel Castro-Hugo Chavez bioweapons plan to destroy the United States (did you know that Saddam Hussein introduced West Nile virus into the U.S.? And that you won't find a bioweapons lab in Cuba anymore because it was flown for protection to Venezuela?), and how Hugo Chavez sent a million dollars to the al-Qaeda through the Taliban regime after Sept. 11, 2001. These "revelations," crudely tailored to get the Bush Administration to bring down the Castro and Chavez regimes, are coming from a "defector" now seeking asylum in the U.S., with the profile of a classic intelligence operation: the Air Force major who served as Chavez's personal pilot, until he saw the light, joined the opposition, and fled Venezuela in the hull of a fishing boat last December, to be able to give dramatic press conferences in Miami, Florida.

### **Peruvian Supreme Court Opens Door to New Trials for Top Narcoterrorists**

The Supreme Court of Peru has overturned the laws under which Sendero Luminoso and the MRTA terrorists were tried, thereby opening the door to new trials, and potentially, freedom for top narcoterrorists. The Court issued a 60-page ruling Jan. 4, in response to a petition from 5,000 people (mostly family members of the terrorist prisoners), contesting four emergency decrees issued by former President Alberto Fujimori in 1992, which permitted captured terrorists to be tried, convicted, and jailed in military courts. Until those emergency decrees were issued, captured terrorists had been freed en masse by judges terrorized by death threats regularly fulfilled by the terrorists.

The full ruling has not been released yet, but Court President Javier Alva Orlandini announced that the court threw out the decree that allowed suspects to be tried for treason, the which he denounced as "state terrorism." Clauses and articles of the other decrees were also thrown out, and the court declared life sentences unconstitutional. Instead of eliminating the latter, however, the court ordered Congress to pass a law automatically revising sentences after 30 years served.

The effects of this decision made by a Supreme Court formed under the State Department/Project Democracy/George Soros coup which overthrew Fujimori and installed President Alejandro Toledo, will be momentous. Retrials are now expected for those who led the 12-year genocidal terrorist war against Peru, because they were convicted under the treason decree.

The Toledo government continues to purge and drastically shrink the nation's Armed Forces. More than 400 officers were cashiered in December, and more purges are expected.

Meanwhile, color posters of a smiling Alberto Fujimori began appearing around Lima at the end of December, accompanied by the phrase: "He Does Know How To Govern."

## Uruguay Commits to Deeper Austerity Under IMF Pressure

Uruguay has committed itself to deeper austerity, to "strictly comply" with debt payments, following the withholding by the IMF of two loan disbursements late last year. The Fund charged that the country wasn't complying with IMF conditionalities regarding failed banks. On Dec. 27, Uruguay's Congress approved a plan to merge three insolvent banks under a new financial institution, which will supposedly "streamline" those banks' operations, and meet IMF criteria. The Batlle government's hope is that this will convince the Fund to release the withheld disbursements, which it desperately needs.

On Dec. 28, Finance Minister Alejandro Atechugarry promised the government will "strictly comply" with its foreign debt obligations in 2003, which amount to \$1.6 billion. But to do so, it will have to obtain Congressional approval of "reforms" the IMF demands, which include politically unpopular measures to downsize the government and raise taxes. Unemployment is at the unprecedented rate of 19%, while inflation for 2002 hit 26%.

## WESTERN EUROPEAN NEWS DIGEST

### Blair Echoes Ignatieff's Soft-Imperialist Line in Speech to Diplomats

According to the London *Guardian* of Jan. 8, British Prime Minister Tony Blair, in his speech to the extraordinary gathering of British ambassadors in London on Jan. 7, echoed the "new [Anglo-American] imperium" line put forward recently in the *New York Times* magazine by Michael Ignatieff. Blair presented his vision of Britain's "place in the world," as the "unifier around a consensus" as to what the "new world order" should be. Blair began by reviewing Britain's role in the past, as an imperial power in the 19th century, and, after that, as a great power through World War II.

Blair listed Britain's strengths: "Part of the EU; and G-8; permanent member of the UN Security Council; the closest ally of the U.S.; our brilliant armed forces; membership of NATO; the reach given by our past; the Commonwealth; the links with Japan, China, Russia and ties of history with virtually every nation in Asia and Latin America; our diplomacy—I do believe our foreign service is the best there is; our language."

He went on to identify the threats facing the globalized world: "It means that the world today has one overriding common interest: to make progress with order; to ensure that change is accompanied by stability. The common threat is chaos. That threat can come from terrorism, producing a train of events that pits nations against each other. It can come through irresponsible and repressive states gaining access to WMD (weapons of mass destruction). It can come through the world splitting into rival poles of power; the U.S. in one corner; anti-U.S. forces in another. It can come from pent-up feelings of injustice and alienation, from the divisions between the world's richer and its poorer nations."

After the Berlin Wall came down, there was a call for a new world order. "But a new order presumes a new consensus. It presumes a shared agenda and a global partnership to do it." Britain is "to play a role as a unifier around a consensus for achieving both our goals and those of the wider world." In this, Britain should be guided by principles of foreign policy: "First, we should remain the closest ally of the U.S., and as allies influence them to continue broadening their agenda.... [I]t is massively in our self-interest to remain close allies." Britain should broaden the U.S.'s agenda, to include the Middle East peace process, global poverty, global warming, the importance of the UN.

This doesn't mean Britain will blindly follow the U.S. lead—for instance, into war: "I would never commit British troops to a war I thought was wrong or unnecessary ... the price of influence is that we do not leave the U.S. to face the tricky issues alone...." North Korea is such an issue, and the Iraq crisis should not detract from it. The real danger is that WMD end up in terrorists' hands.

As for the immediate crisis: "When as with Iraq, the international community through the UN makes a demand on a regime to disarm itself of WMD and that regime refuses, that regime threatens us. It may be uncomfortable, there will be the usual plethora of conspiracy theories about it; but unless the world takes a stand on this issue of WMD and sends out a clear signal, we will rue the consequences of our weakness. America should not be forced to take this issue on alone. We should all be part of it. Of course, it should go through the UN—that was our wish and what the U.S. did. But if the will of the UN is breached, then the will should be enforced."

Other foreign policy principles enunciated by Blair include: Britain's becoming part of Europe all the way; engaging with Russia, China, and India, because of their economic potential; reaching out to the Muslim world, and so forth.

Blair stressed the need for a soft approach: "Our history is a strength, provided we lose any lingering traces of imperial arrogance and recognize countries will only work with us as equals. But that said, working with us is what many want and probably more than any other former colonial power, our empire left much affection as well as deep problems to be overcome."

### **Growing Anti-War Rebellion Among Labour MPs**

There is a growing rebellion among British Labour Party MPs against Prime Minister Blair's enthusiastic support for a new Iraq war, and there are forecasts that as many as 100 MPs could rebel against Blair, and that junior ministers could resign, if a war is begun without backing from the United Nations, the *Guardian* reported Jan. 9.

The paper reported that MPs are demanding proof from Blair, that Iraq does indeed have weapons of mass destruction capabilities. There are also warnings, that the last time Britain went to war politically divided internally, in Suez in 1956, it "ended in disaster," and the government of Prime Minister Anthony Eden fell.

One "influential moderate" Labour figure, unnamed, told the *Guardian*: "The mood has hardened over Christmas. Labour MPs don't trust George Bush, and wonder why Tony is so close to him. And the weapons inspectors haven't found anything. With a new UN resolution, war is manageable, but if Tony wants to do anything without UN support, there will be serious mega-trouble."

The paper added that Labour MP Tam Dalyell, the longest-serving member of the House of Commons (whose open letter to Blair was published by *EIR* last week), failed to win support for an emergency debate on the Iraq war, but 150 MPs stayed behind to hear his plea, which indicates a significant level of support for his view.

Also interesting, is that the lead "Letter to the Editor" in the *Times* of London Jan. 9 was from Field Marshal Sir John Stanier, a former top military adviser to the Royal Family whom Dalyell cites favorably in his open letter to Blair. In the *Times*, Stanier wrote that he supports Dalyell's opposition to a war in Iraq; that the world is faced with pressing problems, like AIDS, drugs, poverty, and so on, and that the "unilateral" Bush Administration focus on Iraq, will only make international terrorism worse.

### **European Leaders Reaffirm Commitment to War Prevention**

In separate statements Jan. 10, French Prime Minister Jean-Pierre Raffarin, Greek Prime Minister Kostandinos Simitis, German Chancellor Gerhard Schroeder, and the EU's chief foreign policy coordinator, former NATO Secretary General Javier Solana, all declared that they were "working for the prevention of [an Iraq] war."

The issue came up in a "private" meeting (with wives) of the German Chancellor and the British Prime Minister in Hanover Jan. 11. Schroeder will also confer with French President Jacques Chirac in Paris on Jan. 14, and with Raffarin in Berlin on Jan. 16.

The opposition against war is also rapidly spreading among traditionally pro-American Christian Democrats in Germany: In a spectacular statement Jan. 10, leading CSU politician Peter Gauweiler said that for a Christian Democrat, the choice between "Bush and the Pope" was clear: a war of religions would be the consequence of this Iraq war, as the Pontiff has said. Gauweiler's position also has the support of other leading CSU members, including former Developing Sector Relations Minister Carl-Eduard Spranger.

### **German Social Dems' New '*Mittelstand* Offensive' Doesn't Meet the Need**

At their meeting in Wiesbaden Jan. 6, the extended party executive of German Chancellor Gerhard Schroeder's Social Democratic Party approved the "offensive for the *Mittelstand*" paper prepared by Economics Minister Wolfgang Clement.

Making no reference to the disastrous general situation created by the ongoing world economic depression, the initiative neither proposes measures that would really improve the special situation of the productive *Mittelstand* (the small and medium-sized businesses that form the basis of the German economy)—like the creation of a mobilization package for infrastructure investments in the range of several tens of billions euros annually.

The paper does state, however, that the *Mittelstand* is the core of the German economy, with one-third of exported goods produced, with 20 million Germans employed and 80% of apprentices trained in *Mittelstand* companies.

Most of the initiative consists of tiny steps, such as tax cuts for miniscule firms with less than 17,500 euros annual income, deregulation of the professional diploma required under existing laws to establish and lead a crafts shop, and the like.

The better part of the initiative is the reference to the newly created *Mittelstand* Bank, as a crucial lender of credits to smaller and medium-sized firms; the promise to increase support for firms engaged abroad, in terms of loans and export credit guarantees. If linked to productive investment projects, in Germany and abroad, this could have a positive impact.

All in all, the SPD still needs an economic program worthy of the name.

### **Last-Minute Settlement To Avert Public-Sector Strike in Germany**

An agreement arrived at in extended talks in Potsdam Jan.9, will avert the threat of a nationwide strike of German public-sector workers by giving them a wage increase by 2.4% now, and two more increases of 1% each in 2004. The agreement is valid for two years, from Jan. 1, 2003. The original demand made by the public-sector and services union "ver.di" was for an increase of 3%.

The Grand Wage Commission of ver.di already approved the agreement, whereas it is still contested among some of the public-sector employers. It is generally expected, though, that the agreement will be ratified by both sides, and that the big strike will be called off.

With the strike averted, a crucial flank of political destabilization of the German government has been neutralized. Chancellor Gerhard Schroeder is said to have put pressure on both sides, especially the public-sector employers, behind the scenes, to settle the conflict.

## German Chancellor Targetted by Media Psychological Warfare Campaign

A media campaign against German Chancellor Gerhard Schroeder began shortly before Christmas, with a report in the *Maerkische Oder-Zeitung* daily alleging that Schroeder and his wife Doris were in a profound marital crisis, having to do with Schroeder's frequent habit of not coming home.

Against that, the Schroeders launched legal action. Then, Britain's *Mail on Sunday* ran a story on Jan. 5, based on interviews with Hillu Schroeder, an ex-wife of the Chancellor's, who made a number of sarcastic and embittered remarks on Schroeder's style and character, adding, when asked by the *Mail*, that if rumors about another extramarital affair of Schroeder were true, it would be the end not only of his present marriage, but of his career. The *Mail* added that rumors have it that Schroeder is having an affair with a leading German television personality.

Schroeder authorized a lawyer to move legally against the *Mail*, but the British tabloid is sticking to its story, claiming it is based on sound evidence.

An editorial in the *Times* of London Jan. 9 provided more evidence that a destabilization campaign is targetting Schroeder. The editorial, headlined, "Germany Falling," is no less nasty than the previous media pieces.

Starting off from the EU Commission's ultimatum to the German government to balance the budget by May 21, the *Times* added the threat of a national public-sector strike (since resolved, see above) and commented that "senior figures in [Schroeder's] Social Democratic Party (SPD) are asking how and when he can be replaced."

"Herr Schroeder is being squeezed on all sides now, largely because of his failure to chart a clear course. He is having to modify Germany's opposition to war on Iraq, because of the need to rebuild relations with America," the *Times* wrote. The party and Germany "need leadership to save the SPD from defeat in Hesse and Lower Saxony," the paper continued. "If Herr Schroeder cannot provide this guidance, the party should dump him for its own sake and for the future of Germany."

## Key Ministry Posts in Poland Shuffled

While the Polish government is preparing for a referendum to be held some time this spring on Poland's entry into the European Union (EU), the second Cabinet shuffle in six months has occurred. (In the first, last July, the Finance, Justice, and Cultural Ministers were replaced.)

This time, Economics Minister Jacek Piechota and Treasury Minister Wieslaw Kaczmarek have been sacked, to be replaced with candidates who are supposed to give the privatization policy a bigger boost. Especially Treasury Minister Kaczmarek was not well liked in economics circles. His task since 2001 had been to privatize state companies, but there were complaints that he didn't go far enough, and had put much of the privatization process on hold, leading (according to monetarist logic) to a significant drop in the state revenues desperately needed to cover Poland's huge budget deficit.

The new Treasury Minister is Slawomir Cytrycki, who is said to be very loyal to President Aleksander Kwasniewski. The new Economics Minister is Jerzy Hausner, who is also Labor Minister. In addition, a new Minister, Lech Nikolski, with special portfolio, was installed. His task will be to coordinate the campaign for the upcoming EU referendum.

At the same time, a supposed bribery scandal is being launched against Prime Minister Miller. It is not clear to what extent President Kwasniewski (who has a close relationship to President Bush) is involved in the scandal. Allegations have been raised by the daily *Gazeta Wyborcza*, according to which a leading film producer, Lew Rywin, was involved in a \$17.5-

million bribe to lobby the government for more media-friendly laws. Prime Minister Miller has dismissed the allegations as "grotesque" and false.

## Russia and Central Asia News Digest

### Russian Diplomat: Iraq Inspections 'Professional,' Not Political

The Russian news agency *RIA Novosti* ran the headline "USA and Russian Federation assess inspection results differently," over a Jan. 9 report on the remarks of U.S. Ambassador to the United Nations John Negroponte, and his Russian counterpart, Sergei Lavrov, about the first report from the UN inspection chiefs. Lavrov said, "In the course of the inspectors' work, a number of questions have been answered, and then others solved, and now they are going to Baghdad to continue this work. I believe that this process should be seen as professional work done by specialists, who present their findings as they go forward, and I think that a political ruckus should not be raised around these reports."

### Unilateral Action Against Iraq Illegitimate, Says Russian Defense Minister

Defense Minister Sergei Ivanov on Jan. 5 again reiterated that Russia would regard any U.S. military action against Iraq without UN approval as illegitimate and unjustified. Speaking in the East Siberian city of Chita, Ivanov commented that the reported U.S. military buildup in the Persian Gulf could be "brandishing weapons" for purposes of putting "psychological pressure on Baghdad," or could be "real preparations." He added, "I believe, however, that before making a final decision, the United States will take into account the results of the work of the international weapons inspectors in Iraq, and UN decisions based on those results." Ivanov stressed that Russia is interested strictly in reaching the goal that "there be no weapons of mass destruction in Iraq," and he denounced attempts "to pursue other goals."

See this week's *EIW* [INDEPTH](#) for further reports on the opposition to war and Iraq and the intensification of psychological warfare, and American military deployments.

### Russian Source Denies 'Exile for Saddam' Plan

*Itar-TASS* Jan. 9 quoted a "highly placed" source in Moscow, who denied reports published in the German *Tageszeitung* about Russian involvement in pressuring Saddam Hussein to go into exile. "It is nonsense. No such talks are underway," the unnamed source said, "Why should Saddam Hussein flee his country? There are no grounds at all for the Iraqi leader to seek political asylum anywhere, including Russia."

Last week, the Foreign Minister of Belarus denied that Minsk was considering offering exile to Saddam Hussein, which was another version being circulated internationally.

The latest packaging of the "exile" scenario came in wires which seized on a remark by Russian First Deputy Chief of the General Staff Yuri Baluyevsky as being an endorsement of the option of getting rid of Saddam Hussein. What Baluyevsky said, in an interview with *Moskovsky Komsomolets*, was this: "The military solution is not the best. As a military specialist, I am sure the Americans will crush Iraq, no question about it. But in any war, people will also be killed who should not be. I often tell American militarymen, 'You've defined Iraq as a rogue state, North Korea as a rogue state. You don't like Saddam Hussein, Kim Jong-il, and I don't know who else. But why bring the population in? Wouldn't it be simpler to remove one person, than to attack innocent people full force?'"

### Russian Energy Minister Meets Gulf Producers on Oil Prices

The Oil Ministers of Russia and Saudi Arabia agreed on joint efforts to prevent a sharp increase in world oil prices, when they met in Riyadh Jan. 5. Following his meeting with Russia's Energy Minister Igor Yusufov, Saudi Oil Minister Ali al-Naimi told reporters, "The Kingdom and Russia agree that cooperation is necessary to ensure that there is no lack of oil supplies." He added that *all* producers had to cooperate to ensure a stable market.

Earlier, United Arab Emirates Oil Minister Obaid bin Saif al-Nasseri had said that OPEC (the Organization of Petroleum-Exporting Countries) would raise output if the price of its basket of crude oils remained above \$28 until Jan. 14. OPEC members have said they will increase production by up to a million barrels a day until the price comes down from the current \$30 per barrel to less than \$28.

Yusufov also visited Kuwait, during his visit to the region.

### **Russia and Japan Coordinate on Korea, Issue 'Action Plan'**

Japanese Prime Minister Junichiro Koizumi travelled to Moscow Jan. 9-11 for talks with President Vladimir Putin, the fifth Russo-Japanese summit since Putin took office. In both their speeches and in a length Action Plan they adopted, the two leaders stressed their commitment to a peaceful settlement of tensions in the Korean Peninsula, including in the wake of North Korea's withdrawal from the Nuclear Non-Proliferation Treaty.

Answering questions after his meeting with Koizumi on Jan. 10, Putin said, "We paid attention to the fact that the North Korean leadership is leaving the door open for negotiations. We count on its being through negotiations that all questions and concerns of all parties can be, and will be, settled." He pledged that Russia would do everything in its power to assist the reestablishment of full relations between North Korea and Japan, and hailed Koizumi's recent visit to Pyongyang as "a courageous and very correct, effective step."

Major emphasis in the talks and the Action Plan is on the development of economic relations. The two sides committed to exploring optimum solutions for the export of Russian fuels to Japan, including possible construction of the Angarsk (Lake Baikal area) to Nakhodka (Russian Pacific port) oil pipeline—which is often seen, and was played up in the *Financial Times* of London Jan. 11, as being mutually exclusive with the Angarsk-Daqing oil pipeline under negotiation between Russia and China. The Action Plan lists more than a dozen other areas of economic cooperation, including measures to promote investment, develop flexible forms of providing credit for joint projects (Russia expressly welcomed a new form of bank credit, offered by Japan's Bank for International Cooperation to the Russian Vneshtorgbank since last March), further development of the Sakhalin-1 and -2 oil and gas projects, fisheries, forestry, atomic energy, space exploration, consultations on the function of the Trans-Siberian Railroad, and economic ties in northeast Asia generally—from Siberia and Russia's Far East, out to Japan.

A lengthy and carefully worded section of the Action Plan deals with the territorial dispute over the four southern Kurile Islands, which remains the obstacle to the finalization of a peace treaty between Russia and Japan to end World War II. The main thrust of this section is that talks about the matter will continue, on the basis of joint declarations dating back to the Japanese-Soviet resolution of 1956, which first suggested a compromise over jurisdiction, but that Japanese-Russian relations are too important to be stalled while waiting for a peace treaty. Putin did raise eyebrows in Russia when, in reply to a reporter's question, he went beyond the Action Plan's language about "overcoming the difficult heritage of the past," to note that while seeking a just settlement of the territorial issue, "We must take into account, what events and what decisions resulted in these islands being under Russian jurisdiction"—namely, the Second World War. Russia has occupied the four islands since the end of the war.

### **U.S. Offers Russia Cooperation on Missile Defense**

In a Dec. 30 interview with *Interfax*, published on Jan. 8, U.S. Ambassador to Moscow Alexander Vershbow said the U.S. is "serious" about Russian collaboration on missile defense technologies. Noting that there had been "a bit of skepticism" on the part of the Russian military regarding proposals for collaboration, Vershbow said, "Let me tell anybody from the Russian military reading this interview that we are serious."

Vershbow noted that Russia has "advanced technology, such as the S-300 and S-400 anti-air missiles, which could be developed into an anti-ballistic missile capability." Areas of possible cooperation could include early warning systems, missile interception, and "futuristic technologies," such as lasers. He stressed that the system being developed for early deployment is only in its initial phase, "so there are plenty of opportunities for joint development of the architecture of the future system."

On Jan. 9, the Russian government said it was waiting for a response from the U.S. regarding its proposal to draft a new strategic stability pact to replace the Anti-Ballistic Missile treaty. This is described as a more detailed document that is based on the Bush/Putin agreement of last May.

### **Bitter Cold Strains Infrastructure in Russia**

Russian President Putin spent time on Jan. 8-9 dealing with the disastrous effects of a deep freeze throughout northern and central Russia. Temperatures on Jan. 8 were as cold as -22 F in Moscow, down to -54 F in Murmansk. According to the Ministry of Emergency situations, over 25,000 people were without heat, most of them in the northwest. Six deaths in Moscow that night brought the number of recorded deaths from cold weather in the city this season to 239. (Thousands of homeless people live in Moscow.)

Putin chastised the governors of several northern provinces, who "should be prepared for these kinds of temperatures." The head of the Karelia region, bordering with Finland, has applied to the federal government for emergency funds to repair heating systems in the region. Some ships were stuck outside the Port of St. Petersburg, where the approaches to the harbor froze over. Putin also met today with Defense Minister Sergei Ivanov, authorizing him to deploy the Army to help plow snow and deliver fuel in the Far East and in Leningrad Province around St. Petersburg.

### **Russian Power Company's Restructuring Postponed**

Further consideration of reform of the Russian national electricity utility, Unified Energy Systems (UES) during 2003 was abruptly postponed by the Russian State Duma in mid-December. UES CEO Anatoli Chubais' scheme for a separation of UES' generation and distribution components, with privatization of the latter, has been strenuously opposed by a group of minority shareholders who accuse him of looting the company. The battle around UES intensified during the autumn, after Kremlin economic adviser Andrei Illarionov badmouthed the quality of UES plant and equipment at an investment conference in Boston. UES share prices plunged, at which point an unidentified big buyer began to scoop up the shares.

Speaking at the All-Russia Energy Forum in the Kremlin on Dec. 19, Chubais accused "a number of top oligarchs" of sabotaging the reform of UES in order to buy it up cheaply now. He claimed that the drop in UES shares by an additional \$220 during the two days after the Duma's decision to postpone the reform, was in the interests of these oligarchs—widely rumored to be Roman Abramovich and Oleg Deripaska, who have major holdings in the electricity-intensive aluminum sector.

The Duma decision was taken on request from the executive branch, according to members of the Duma. Well-informed observer Yuliya Latynina, however, writing in the Dec. 23 issue of *Novaya Gazeta*, suggested that the Kremlin's action was not designed to help out Abramovich and Deripaska. Instead, it balanced out the gain Abramovich achieved in

winning the auction of a 75% state share of the oil company Slavneft, also in December. Latynina writes that these "oligarchs" were expecting the UES reform to pass on Dec. 18, and had made their major share purchases beforehand, but now are faced with a delay in being able to exploit their increased control in UES. In this analysis, the Kremlin administration's actions would fit into President Putin's well-known pattern of trying to balance among rivalling interests. This practice is not conducive to a bold or effective economic policy.

### **Russia Would Welcome OSCE Monitors for Chechnya Vote**

Russian Deputy Foreign Minister Vladimir Chizhov said Jan. 5 that officials from the Organization for Security and Cooperation in Europe (OSCE) are welcome to attend the referendum on the future status of Chechnya, scheduled for March, as well as subsequent elections, even though Russia has not renewed the OSCE's humanitarian mission in the territory.

## **Mideast News Digest**

### **Askary's 'On History as Tragedy' Featured in *Al-Bayan***

An article by Lyndon LaRouche associate Hussein Askary in Dubai's *Al-Bayan* newspaper charged that, among Arabs and Muslims, "Those who are peddling the idea of the inevitability of war, the reshaping of the map of the Middle East, and American colonial supremacy in the world are probably pagans, who believe in the arbitrary will of irrational Olympian Gods."

The article, carried in the Jan. 3 special New Year's political supplement, starts by stating that "most of the time, history is a tragedy, whose events are unravelling on the scene of real life of societies, almost exactly as we see such events in Aeschylus, Shakespeare, and Schiller's dramas." It states that there are two major factors in history: One is subjective and the other is objective, while Allah is the judge. "About 2,390 years ago, Plato said in the *Timaeus* dialogue, that civilizations in general vanish for two reasons: either through natural disasters, or through human society's own stupidity."

The article reviews the record of human suffering around the world, the mass death in Africa due to preventable diseases, famine, and poverty; mass layoffs and economic and financial disintegration in the industrial nations, which are also solvable. It exposes the nature of the current economic-strategic crisis and warns against the Arab "house slaves who all the time try to tell us how mighty the U.S. economy and globalization are, and that we have to obey the U.S. democratization orders and the military dictators the U.S. war hawks want to install in our countries." This part includes an unmistakable attack on the Arab journalists who slandered LaRouche recently.

The second part of the article takes up the "solution" to the tragedy. Ashkary writes, "Nevertheless, I am an optimist, because I believe in the sublime nature of the mission through which man was entrusted by Allah to become His vice-Regent on Earth [Khalifa]." The rest of the article describes the solution to this situation through the ideas of LaRouche and his dual war-avoidance strategy of the New Bretton Woods system and the Eurasian Land-Bridge.

### **Saudi Arabia To Seek Peaceful Solution, Even if UN Sanctions War on Iraq**

In his weekly press conference, reported in the Saudi press on Jan. 8, Saudi Foreign Minister Saud Al-Faisal reiterated Saudi Arabia's strong position against a war in Iraq, but in stronger words this time. "If the United Nations asks Saudi Arabia to join, depending on the material breach that they show and depending on the proof that they show, Saudi Arabia will decide," Prince Saud told reporters. "We are interested in peace and searching for a peaceful (solution) to this crisis and even if the United Nations decides on war, we want them to give us a last chance to exert efforts for peace," he said.

*Arab News* reported that Al-Faisal "said Riyadh wanted to avoid conflict and would seek a peaceful outcome even if the UN sanctioned war." Asked if the United States had requested military facilities, Prince Saud said: "Concerning Iraq, it has not asked." He has already questioned remarks by U.S. defense officials who told *Reuters* last month that Riyadh had agreed to allow the United States to use its air bases and an important operations center in a possible war with Iraq.

*Al-Riyadh* daily reported that Al-Faisal "called for exerting all efforts to solve the Iraqi crisis through diplomatic and political channels. He also warned strongly that launching a military attack against Iraq could lead the whole region into an ambiguous future." Al-Faisal also said that "the [Saudi] kingdom was monitoring the conditions in the Gulf region with a great deal of concern, because it is interested in preventing a military confrontation rather than going along with it."

Prince Saud denied any knowledge of an initiative asking Saddam Hussein to step down as one of the political solutions, and added that military action to change the regime in Iraq would lead to civil wars with consequences affecting the whole region. He also expressed his optimism regarding recent statements made by President Bush, placing the war option as a last resort. He also commended Bush's earlier step to bring the Iraqi issue to the UN, rather than acting unilaterally.

### **Jewish Leader Warns Against Sharon's Course of National Suicide**

In a major commentary in the *International Herald Tribune* of Jan. 7, Henry Siegman, now of the New York Council on Foreign Relations, and formerly a close associate of Nahum Goldman at the World Jewish Council, warned readers not to buy Israeli Prime Minister Ariel Sharon's sophistry about supporting a Palestinian state.

"Sharon's talk of Palestinian statehood is about as sincere as his stated determination to punish Cabinet members who refuse to cooperate fully with the Attorney General's investigation of a Likud vote-buying scandal, in which, according to Israeli police, the Prime Minister's son Omri is allegedly involved," he wrote. "Unfortunately, there is good reason to fear that the situation will only get worse if Sharon returns to power."

Siegman pointed out that Sharon's entire military and political career has been premised on the expansion of Jewish settlements in the occupied territories, so "as to make a Palestinian state a political and physical impossibility." As Sharon makes "moderate" campaign statements, Siegman reported, his son Omri has been telling Likud faithful "not to lose any sleep over his father's support for a Palestinian state." Omri has reportedly told the Likudniks that when you speak softly, you can carry a big stick, and that Sharon's strategy has paid off with the full reoccupation of the West Bank and Gaza, with little more than a whimper of protest from the U.S. government. And now Sharon has surrounded himself with a coterie of military and intelligence hardliners who share his commitment that there will be no return to "peace" talks until the Palestinians have been crushed and "until this defeat becomes deeply ingrained in their consciousness. All believe that it is only when Palestinians think and act like a defeated people that a political process can begin."

"Ironically," ended Siegman on a slightly hopeful note, "what hope there may be for a better outcome is provided by the Likud vote-buying scandal, which, according to the latest polls, has already cost the Likud 10 Knesset seats (down from an expected 41 seats to 31)" in national elections scheduled for Jan. 28. "Now that with the vote-buying scandal Israelis have found they, too, are the objects of Sharon's deceptions, they seem no longer amused. If the attrition in support for the Likud is not reversed, Sharon may not be able to form a new government without the Labor Party, whose conditions for joining his government—including an immediate halt to all settlement activity—might reverse the suicidal course that both Israel and the Palestinians now seem bent on." Siegman concluded that much hangs on whether Sharon's opponent, Labor Party candidate Amram Mitzna, proves to be the "man of integrity he claims to be."

### **Israeli Supreme Court Reinstates Arab Candidates, Party to Ballot**

The Israeli Supreme Court on Jan. 9 overruled a corrupt decision by the Election Commission, and reinstated Arab Members of the Knesset (Parliament) Ahmed Tibi and Azmi Bishara to the ballot for the Jan. 28 elections. The Court also reinstated the Arab Balad Party, while permitting far-right activist Baruch Marzel, a member of the late Rabbi Meir Kahane's terrorist organization, to be on the ballot too.

The court also upheld the Election Commission's disqualification of Likud candidates Shaul Mofaz, the current Defense Minister, and radical rightist Moshe Feiglin. Ahmed Tibi told Israel's *Army Radio* that he was very happy with the Court's ruling, "blocking the anti-democratic avalanche of the right-wing." In light of the court decision, Shweki Khatib, chairman of the Arab Higher Monitoring Committee, called on Arab voters to turn out on Jan. 28 "and to change the government."

### **Goetterdaemerung for Ariel Sharon?**

"Whom the gods would destroy, they first make mad," certainly applies to Israeli Prime Minister Ariel Sharon, who was cut off mid-sentence after 13 minutes during a nationally televised press conference on Jan. 9 by none other than the Israeli Election Commission, for illegally using his Prime Minister position to "electioneer" on TV. Sharon was giving the press conference to defend himself against charges that he had broken election finance laws in previous elections.

Sharon, a career war criminal whose caretaker government has been characterized by an unprecedented number of assassinations of Palestinian political opponents under the guise of "fighting terrorism," and by the killing of dozens of Palestinian children by the Israel Defense Forces, is facing setbacks on all fronts:

\*In Washington, the Israeli delegation, led by Prime Minister Ariel Sharon's personal envoy, Dov Weisglass, was shunned after the delegation made a desperate pitch for a \$12-14-billion bailout, of which \$10 billion was to be U.S. loan guarantees. This came on the heels of several reprimands against Israel. The first was directed at the Israeli Election Commission's banning of Arab Members of Knesset from running for reelection (but see above for Israeli Supreme Court action overruling this); and the second, on Jan. 3, at Israeli demolition of homes of families whose members may include suicide bombers or militants. U.S. State Department spokesman Richard Boucher said, "We are further disturbed by reports that the demolition of homes in recent weeks has resulted in the deaths of two civilian occupants inside. We urge Israel to consider the consequences of actions such as these...." These concerns may be related to the Bush Administration's tabling of Israel's bailout request.

\*Israel is accusing Britain of an alleged "covert arms embargo," which London denies. Israeli claims that Britain is refusing to allow the export of defense items, including many spare parts, that Israel needs for self-defense against terrorists, and against Iraq. "This is a major cloud in our bilateral relations with Britain," said Victor Harel, a senior Israeli Foreign Ministry official, on Jan. 3. British officials deny imposing any kind of boycott, but a Foreign Office spokesman told the *London Times*, "We won't export anything that could be used for external aggression or internal repression." Scrutiny is necessary because Israel had provided false assurances about the non-use of British equipment in the occupied territories.

\*On Jan. 7, both Prime Minister Tony Blair and U.S. Secretary of State Colin Powell protested the Israeli ban on Palestinian delegates to the "roadmap" meeting in London that would discuss the "Quartet" (U.S., European Union, Russia, and the UN) plan for peace settlement, and a Palestinian state. Sharon and his Foreign Minister Netanyahu ignored the protests.

Polls report that Sharon's Likud slate will lose another seven to nine seats in Parliament Jan. 28, with the latest figure putting the Likud's total at 24 seats. There is a growing drumbeat for Sharon to resign.

## **Secret UN Report Warns of 500,000 Iraqi Casualties**

The military offensive pushed by the Anglo-American utopian faction would create 500,000 Iraqi casualties and 1 million refugees, and put 10 million at risk, says a secret 13-page "contingency plan" prepared by a senior United Nations task force last month, which was obtained by the UN office of the Mennonite religious group, and is now posted on the Web site of the Cambridge University student advocacy group, Campaign Against Sanctions on Iraq. "The bulk of the population is now totally dependent on the government of Iraq for a majority, if not all, of their basic needs," the document states. "Unlike the situation in 1991, they have no way of coping if they cannot access them...."

As many as half a million Iraqis would require medical treatment, the report states, as a result of a war, including up to 400,000 wounded as an indirect result of the devastation that would be brought upon the country. The report assumes that a war would shut off Iraqi oil production, and that the electricity, railway, and road systems would be significantly damaged. The UN had previously estimated that up to 9.5 million of Iraq's 26.5 million population could need food aid to survive, were a war to start. "Furthermore, the outbreak of diseases in epidemic, if not pandemic, proportions is likely," the report states, referencing cholera and dysentery as two that thrive in economically devastated conditions.

The report estimates that more than 900,000 refugees could be expected to flee to Iran, and 50,000 more would go to Saudi Arabia, joining the 130,000 refugees already living in UN-supervised camps there.

## **U.S. Training of Iraqi Exiles a Violation of Law**

Iraq has protested that the U.S. training of "mercenaries" to overthrow Iraqi President Saddam Hussein is a violation of UN guarantees of sovereignty and is an act of aggression. The charges were made in a letter from Iraqi Foreign Minister Naji Sabri that was delivered to UN Secretary General Kofi Annan.

Meanwhile, on Jan. 6, the *New York Times* reported that the Iraqi opposition is so divided, that the Bush Administration has backed away from the demand—associated with the radical neo-conservatives—to create a "provisional government" from the Iraqi opposition. The *Times* reports: "After long debate, especially between the Pentagon and the State Department, the White House has rejected for now the idea of creating a provisional government before any invasion." National Security Adviser Condoleezza Rice, they report, "stepped in, as one senior aide said, to 'make sure there was not a public food fight on this one.'" The *Times* added, "Senior civilian officials in the Pentagon and some advisers to Vice President Dick Cheney argued for the creation of a provisional government, even before Baghdad falls." Defense Secretary Donald Rumsfeld supported this, while the opponents, "mainly in the State Department and the CIA, say the Iraqi exiles have no legitimacy among the Iraqi people."

A meeting that was supposed to be held on Jan. 15 of the "united" exile movement inside the Kurdish area of Iraq, has been cancelled—indefinitely.

## **Asia News Digest**

### **U.S., Japan, South Korea Issue Joint Statement on North**

On Jan. 6 in Washington, D.C., the Trilateral Coordination and Oversight Group, consisting of the U.S., Japan, and South Korea, concluded their two-day meeting, and issued a Joint Statement on the North Korea crisis. The statement was a clear show of unity which helped paper over the significant disagreements between the parties regarding the approach to be taken to North Korea. They jointly urged North Korea to eliminate its nuclear weapons program and reiterated their intention to pursue a peaceful and diplomatic resolution of the issue. They also expressed support for the Jan. 6 statement

on North Korea by the IAEA Board of Governors, which called on Pyongyang to come into compliance with its Safeguards Agreement under the Non-Proliferation Treaty. While stressing that North Korea's relations with the international community "depend on its verifiably ending its nuclear weapons program, it also expressed "continued support" for the North-South dialogue and for the Japan-North Korea dialogue.

Behind the usual rhetoric, the U.S. also said that it was "willing to talk to North Korea about how it will meet its obligations to the international community." Previously the Administration had placed the ball in the court of the North Koreans, demanding that it first undo the measures it had taken before discussion would occur. A senior Administration official who had just finished briefing reporters publicly about how there can be no "quid pro quo" admitted that the statement gives the U.S. some leeway in talking with the North Koreans which hadn't been there previously.

Immediately following the talks, it was announced that the UN Mission of North Korea in New York, had received the permission it requested to fly to New Mexico for talks with incoming Democratic Governor Bill Richardson, who had been involved in negotiations with North Korea during the Clinton Administration, when he was Energy Secretary. The Bush Administration approved the travel request.

### **UN Group Says U.S. Holding Back Food Shipments to North Korea**

Statements by two U.S. officials on Jan. 6 indicate that charges of U.S. foot-dragging on food shipments to North Korea may have validity, despite official denials.

The UN World Food Program accused the U.S. of holding back their contributions of food shipments to North Korea, reported the *New York Times* on Jan. 6. Citing "senior Administration officials," they said the food shipments had been delayed because of U.S. concerns about monitoring of delivery of the food aid to target groups. These "concerns" are impeding the aid, in spite of the fact that the WFP officials have "no hard evidence" that the food aid is being diverted. "We have relatively good confidence that the food is reaching the people who need it," one WFP official said.

When asked about this, White House spokesman Ari Fleischer said that there were no political conditions being placed on food aid. "The United States does not condition food aid on political or security issues," Fleischer said. "We intend food aid to be viewed and seen and received as a humanitarian gesture of the people of the United States around the world. We intend to be responsive to the World Food Program's appeal for North Korea, as we have in past years." But, Fleischer added, "We still have concerns regarding monitoring access in North Korea ... It remains very important for North Korea to make certain that the people who need the food receive the food."

The State Department's Richard Boucher repeated that line, and also added perhaps another pretext for the delay: "Exactly how much we can give in any given year depends on the budgetary situation and we are in a position right now waiting for the appropriation so that we can make whatever commitments we will make for this year."

Boucher went on, "Looking at that situation now and seeing if there's not a way to, well, to define further, but we have to have the appropriation. But I think our intention is to continue to support these programs."

### **North Korea Sparks American Reaction Against 'Axis of Evil' Rhetoric**

For the first time since Canadian neo-conservative fanatic David Frum successfully planting the "axis of evil" phrase in George W. Bush's State of the Union speech in January 2002, there is a concerted outcry against the catastrophic results of using this meaningless inflammatory slogan. For the neo-con chickenhawks such as the Wolfowitz-Perle gang, and their Arms Control ally, Assistant Secretary of State John Bolton, "axis of evil" equals "preemptive strikes" equals war. Policy

circles are beginning to revolt at the fanaticism of the chickenhawk warmongering.

Four major commentaries appeared this week attacking the Bush White House for falling into the "axis of evil" jargon. On Jan. 5, speaking on CNN TV's *Late Edition*, Gen. Brent Scowcroft, the former National Security Adviser to, and close associate of, former President George H.W. Bush, not only urged that the U.S. take an engaged diplomatic track with North Korea, but directly attacked the "axis of evil" jargon. "The problem really started with the axis of evil," said Scowcroft, whereby Iraq, North Korea, and Iran "were dumped together with recipes that were supposed to handle the whole problem." "It's never been clear to me exactly why ... other than it was a very catchy phrase in the State of the Union address." He added strong praise for South Korea's diplomatic efforts: "One thing we have to remember is that we should not act in this area, about North Korea, except in the closest consultation with South Korea."

On Jan. 6, senior political columnist Robert Novak warned that President Bush allowed himself to be boxed into a rhetorical corner against North Korea. "Nearly a year ago, the President let rhetoric overpower policy when he accepted the formulation of his speechwriters and inveighed against the 'axis of evil': Iraq, Iran, and North Korea. Some conservatives who cheered those words now regret them." Unfortunately, Novak then launched into an attack on South Korean President Kim Dae Jung and President-elect Roh, for too aggressively pursuing the "Sunshine Policy" with the North.

On Jan. 7, side-by-side columns in the *Washington Post* by house columnist David Ignatius and former U.S. Defense Secretary William Cohen (1997-2001) also sent the message to Bush: "Back off" the "axis of evil."

The op-ed by Cohen, called "Huffing and Puffing Won't Work," says that threats by neo-cons ("those who wish to pursue a harder line") will "not blow down Kim Jong Il's house," so the U.S. has to make concessions "by another name" through China, Russia, Japan, and South Korea's diplomacy to get the North to abandon nuclear plans. Diplomacy is concessions, he says.

### **China's Economic Growth Brings Paradoxes, Challenges**

Despite its rapid economic growth, China is facing several serious problems that must be dealt with, stated a commentary in *People's Daily* on Jan. 3. This is one of series of articles that have brought attention to the "paradoxes" of China's economic situation.

Unemployment in the cities due to restructuring of the state-owned enterprises, and the vast migration of "surplus" rural workers to the cities seeking work, is a serious problem. Officially, urban unemployment is below 4.5%, but many Chinese analysts consider it to be at least 7%, and, some warn, it could really be 15% or higher, due to "hidden unemployment" in cities and the huge surplus labor force in the countryside. Recently, some 100 million rural workers have moved into the cities, many taking jobs that unemployed industrial workers might have taken.

In addition, China continues to be plagued by deflation that began in the so-called "soft landing" of 1996. Finally, China's stock market is falling fast. On Jan. 2, it hit its lowest level of the past three and one-half years.

### **China Grain Production Rose in 2002**

China's grain production rose in 2002 for the first time in three years, reported the *People's Daily*. Grain output rose by 1% from 2001 to 457.1 million tons, the first such increase since 1999. The Ministry of Agriculture had predicted a 500-million-ton grain harvest in 2002. Acreage was down by 2%, but per-unit grain production grew by 3% from 2001.

In 2000, China's grain production had fallen 9% from 1999, after five years of bumper harvests. However, China continues to have a large grain stockpile, and remains self-sufficient in food.

### **Thailand Discusses Repealing the IMF's 'Slavery Laws'**

A Thai government special committee has agreed to revise all 11 controversial economic laws, known as the "slavery laws," imposed during the Democrat Party-led government of former Prime Minister Chuan Leekpai, under IMF dictates. The committee members agreed that the laws had "led to a loss of the country's economic independence," according to *Business Day* on Jan. 8.

Kitti Limsakul, a member of the special committee which was chaired by Prime Minister Thaksin Shinawatra's economic adviser Pansak Vinyarat, told reporters that the committee had held four meetings during the past months. "We all agreed that all 11 economic laws should be revised in order to escape from the IMF framework," he said. He said that the bankruptcy law is one that most urgently needs revising, followed by the foreign investor's rights act. "The committee will soon submit the resolution to the Prime Minister for final consideration," he said.

Weng Tochirakarn, the chairman of Thailand's Democratic Movement Group, in his capacity as a member of the special committee, said: "At that time, the Thai government had to comply with the IMF's requirements. But now it is considered that it is a proper time for Thailand to be independent from the IMF's lending. We propose the revision of the so-called slavery laws because we want to regain the country's economic sovereignty, the Thai people's human rights and fair business operations."

A Thai official told *EIR* that several of the IMF-demanded privatizations may be reversed, including the much-contested break-up and privatization of the Electricity Generating Authority of Thailand (Egat).

### **Thai Energy Minister Recommends Five-Dam Project with Myanmar**

Thai Energy Minister Pongthep Thepkanchana has given his backing for a \$4.67-billion, five-dam power project to be built on the Salween River in Myanmar, premised on asking Thailand's Electricity Generating Authority (Egat) to seek large-scale users as partners in the project. The project would produce an estimated 20,000 megawatts of electricity, and is targeted for completion by 2013.

The sticking point is the ongoing debate in Thailand over whether or not to privatize Egat by 2004. Egat, which has an asset value just over \$9.35 billion, would be unable to finance the Salween project if privatized. A government guarantee is needed for the project to proceed.

Pongthep said construction of Salween dams would boost Thailand as a center for electricity in the future, with any excess being sold to the proposed Asian Grid, i.e., other members of the Greater Mekong Subregion: Myanmar, Yunnan Province, China, Laos, Cambodia, Vietnam and Thailand. Two of the five dams are projected to start operations by 2012-13.

Electricity demand in Thailand last year was around 19,000 megawatts. GMS members' current need is about 50,000 megawatts, and is projected to skyrocket to 100,000 megawatts by 2010. Pongthep said the project would reduce the cost of electricity to Thailand roughly by half the current rate of \$0.39-\$0.4 per unit. Within six months, the Power Ministry is expected to release a final investment plan and the locations of the dams.

### **Indonesia Plans To Have Nuclear Power Plants by 2010**

Indonesia could be building nuclear power plants by the end of this decade, as part of government efforts to provide alternative energy sources to the country's power-hungry households and businesses, said senior officials to the *Singapore Straits Times* on Jan. 8.

Minister of Research and Technology Hatta Rajasa told *Antara State News Agency*: "We have the capability to build nuclear power plants, and we should." The Minister added that the country could break new ground for its first nuclear-powered electricity generator. Its construction is targetted to start in 2010, and it is expected to be operational by 2015.

His aides at the Ministry, and officials of the National Atomic Agency (Batan), were similarly upbeat about the prospects of Indonesia going nuclear to meet its energy needs. Dr. Bambang Prasetyo, a program officer at the Ministry, told the *Straits Times*: "Based on projections of energy needs for the future, nuclear power makes sense.... we will still work with others like geothermal or hydro power. But nuclear is definitely one way to go." Indonesian scientists, Dr. Bambang added, are putting together feasibility studies and should have a first blueprint for the nuclear-energy program by 2006.

According to Batan officials, the government could revive abandoned projects first conceived during the rule of former President Suharto. Back in the mid-1990s, Research and Technology Minister B.J. Habibie had proposed several nuclear projects, including an 800-megawatt generator located in Central Java.

### **Indonesia Government Tries To Avert Protests Over IMF-Imposed Hikes**

With business and labor organizations threatening to take mass protest action against IMF-imposed price hikes, the Indonesian government is offering tax and other incentives to businesses. The tax incentives were offered by Minister of Finance Boediono during a meeting between 150 businessmen from the Indonesian Chamber of Commerce and Industry (Kadin), and Vice President Hamzah Haz and other senior economic ministers on Jan 8. Sofjan Wanandi, chairman of the business group National Economic Recovery Committee (KPEN), told the *Jakarta Post* after the meeting: "This is a fairly good signal although it is not our primary demand. What we fought for is for the government to cancel the utility rate hikes."

Minister for the Economy Dorodjatun Kuntoro-Jakti told the businessmen that the government could not delay or cancel the increase in utility rates, because the government was close to meeting with the foreign donors grouped under the Consultative Group on Indonesia (CGI), which will convene in Bali on Jan. 21, and because the hikes were part of the agreement with the IMF.

The government's planned incentives were announced a day before a joint demonstration planned by workers and employers in Jakarta on Jan. 9. Sofjan said that the joint rally would still take place despite the promised incentives.

### **More U.S. Anti-Terrorist Training in Philippines**

American military advisers will visit the Southern Philippines this week to prepare a fresh round of anti-terrorist training, local military officials said Jan. 6. The team will visit Zamboanga City to inspect possible facilities and accommodations for the trainers.

Ten months of anti-terrorist instruction beginning in February are planned for 16 Filipino light infantry companies of about 1,600 soldiers, said Filipino Defense Secretary Angelo Reyes. The training follows last year's Balikpapan-021 exercises on Basilan island.

Philippines' Southern Command chief Lt. Gen. Narciso Abaya said the exercises would cost the U.S. military about \$30

million, and involve two light reaction companies, four light infantry battalions, Air Force helicopter pilots, and 200-300 U.S. Green Berets, Navy, and Army personnel.

## **Africa News Digest**

### **Hell in Africa and 'Mass Murder by Complacency'**

Discussing the developed sector's response to the AIDS crisis—namely, "Mass Murder By Complacency"—UN AIDS envoy to Africa Stephen Lewis told a press briefing in New York that "those who watch the pandemic unfold with a kind of pathological equanimity must be held to account. There may yet come a day when we have peacetime tribunals to deal with this particular version of crimes against humanity."

Speaking on Jan. 8, Lewis reported that at every stop of his four-country visit last month to Lesotho, Zimbabwe, Malawi, and Zambia, he was struck by the determination with which the African people and their governments were prepared to do battle against the plague. "I am weary to the point of exasperated impatience at the endless expressions of doubt about Africa's resolve and Africa's intentions and Africa's capacities. Africans are engaged in endless numbers of initiatives and projects ... and models which, if taken to scale, if generalized throughout the country, would halt the pandemic."

He cited in particular Zimbabwe, which, "whatever the level of political turbulence, has created a sturdy municipal infrastructure for the purpose of dealing with AIDS." In Malawi, the government is going to treat people free of charge, and delivered anti-retroviral medication through the public health sector to 50,000 people.

Underlying how hunger and AIDS "have come together in a Hecate's brew of horror," he spoke about a visit to the pediatric ward of the University Teaching Hospital in Lusaka, Zambia. "The infants were clustered, stick-thin, three and four to a bed, most so weakened by hunger and ravaged by AIDS that they really had no chance. We were there for 45 minutes; every 15 minutes, another child died, awkwardly covered with a sheet, then removed by a nurse, while the ward was filled with the anguishing weeping of the mothers. A scene from Hell."

About the AIDS orphans, he noted that this is a new phenomenon for which the world has no evident solution. "Public health has confronted terrible contagions of communicable disease at other moments in human history. One day the same will be true for AIDS. But we've never before confronted the selective destruction of parents that leaves such a mass of orphans behind." He noted that there is no way to deal with this. "They wander the streets as orphan gangs, bewildered, lonely, disenfranchised from all reality...."

Of the UN Global Fund for AIDS, Lewis said it will be in financial crisis after this present month. And, "If there is a war in Iraq come February, then the war will eclipse every other international human priority, HIV/AIDS included," Lewis said.

### **South Africa Justice Ministry Investigates Israeli Fraud Charges**

See this week's [\*\*INDEPTH\*\*](#) section for South Africa's role in the investigation of organized-crime bribery and fraud in Israel's Likud Party, the party of accused war criminal Prime Minister Ariel Sharon.

### **South Africa Sees Progress in Zimbabwe Land Resettlement**

The South African Ministry of Labour said it was impressed with the progress resettled farmers in Zimbabwe were

making, following a visit to several farms in Mashonaland on Jan. 9.

"After visiting three farms, Minister Membathisi Madladlana was impressed with the commitment of the resettled farmers," a spokesman for South Africa's Department of Labour told the UN Integrated Regional Networks (IRIN,) which filed the report. "In one case a black farmer who now owns 250 hectares of land and employs 74 people has developed the land much more than the previous owner. Also, contrary to what is believed, there are white farmers in Zimbabwe who are patriotic and want the land reform to yield some positive changes.... The visit to the farms was a learning curve for the South African delegation. What was evident was that the land that was given to resettled farmers was not left idle," the spokesman added.

Labour Minister Mdladlana has been on a four-day visit to Zimbabwe for talks with the government aimed at regulating the status and working conditions of illegal Zimbabwean immigrants working on South African farms. Before leaving Harare, Mdladhana called for closer cooperation with Zimbabwe, saying that the two countries "shared a common destiny."

### **War on Hunger/Malnutrition Can Stem AIDS Fatalities**

The South African government has committed itself to providing nutritious food to all people living with HIV-AIDS throughout the country. Government officials said Jan. 3 that the support system would be an extension of the existing nationwide nutrition program for poor communities to improve their health status. The plan will prevent and reduce morbidity and mortality rates due to malnutrition among HIV-positive people. "This program will be multi-pronged, using simple approaches such as establishing food gardens in communities in partnership with business, the Department of Agriculture and other role players," said Department of Health chief director for tuberculosis and HIV-AIDS Dr. Nono Simelela.

Prior to this initiative, the Department of Social Services and Population Development has paid HIV-positive people a disability grant of R640 a month, but only when a doctor or nurse declares the individual terminally ill.

Health Minister Dr. Manto Tshabalala-Msimang and Simelela have committed themselves to facilitate meetings between AIDS activists and the institutions they were targeting, such as banks and insurance and pharmaceutical companies.

### **Kenya Planning To Implement Free Medical Care**

The incoming government of President Kibaka in Kenya has announced plans to offer free medicine, and is set to provide health insurance for all Kenyans. Charity Ngilu, taking over the Health Ministry, outlined steps she was taking to ensure the introduction of free health care for all. The new government, she said, was aware that proper medical care had become too expensive for most Kenyans to afford. She said that discussions have resumed among health professionals on the establishment of a national health insurance scheme. She also issued a set of directives to take effect immediately. She forbade public hospitals from refusing patients because they had no money. Hospitals were ordered to return all title deeds and other forms of security collected from patients unable to pay hospital charges.

Preparations for moving to free health care began several months ago under the government of President Daniel arap Moi. A team of Members of Parliament and health sector managers have visited European and Southeast Asian countries where such programs have been successful. A Kenyan task force was formed, and the German government sent experts on health insurance to help the task force.

### **Peace Talks Set for Jan. 15; France Intervenes with Troops in Ivory Coast**

France appears able to control military action from all sides in Ivory Coast, while it also shapes a political resolution Western powers will ratify. Helicopters of the Ivorian government carried out attacks Dec. 23 and 31 north of the ceasefire line—in territory held by the Patriotic Movement of Cote d'Ivoire (MPCI)—killing at least 24 people, and possibly 40 or more. The MPCI General Secretariat responded Jan. 2 with a declaration that "the troops of the MPCI have received carte blanche to go over into a general offensive." French Foreign Minister Dominique de Villepin then flew to Abidjan Jan. 3 to demand an explanation for the government's attacks and restore the ceasefire.

De Villepin also discussed with President Laurent Gbagbo—according to *Le Monde* Jan. 3—the " 'global plan for solving the crisis,' which Gbagbo is supposed to present," and which addresses major issues raised by the MPCI rebels. Before departing Ivory Coast Jan. 4, de Villepin also went to MPCI headquarters in Bouake and, according to the *International Herald Tribune* Jan. 7, "announced an agreement between the government and the main rebel force [MPCI]... and said that France would ensure that the deal was respected by both sides. Gbagbo agreed to send home about 200 foreign mercenaries [serving] with his forces and ground three Russian-built MI-24 helicopters reportedly flown by white mercenaries. Villepin promised that France would head an international aid effort to rebuild the country if the two sides reached a peace agreement at the Paris talks scheduled for Jan. 15."

*Le Monde* added, "The compromise negotiated under this plan [in Paris] is then to be ratified by a summit that brings together, in addition to the West African Presidents, the UN Secretary General and the Western heads of state, who are to guarantee the application of the accords."

On the western front, where there is no ceasefire between the government and two newer rebel groups, French troops again inflicted losses on these rebels Jan. 6—this time described as "quite heavy" by a French Army spokesman—when the rebels again attempted to move eastward toward Abidjan. (The first of several such French actions occurred Dec. 1.) Officially, the French claim only to have troops in the country to protect or evacuate Westerners and maintain the ceasefire.

## This Week in History

### January 17, 1706

It is inconceivable that the United States of America could have been established as the world's premier republic, without the nearly 70 years of effort put in by Benjamin Franklin. As we approach the anniversary of Franklin's birthday, Jan. 17, 1706, we should confront the reasons for the obscuring of Franklin's role—and proceed to make ourselves acquainted again, with the prodigious genius which he represented.

What I raise is not a question of sentiment, or even simply historical knowledge. What must be understood, once again, is that turning points in history require, unfortunate as it may be, the intervention of extraordinary individuals, figures whom Lyndon LaRouche has called historical individuals, who take responsibility on themselves to go against popular opinion, and create a future for their fellow-men. Benjamin Franklin was one of those individuals—as were George Washington, Abraham Lincoln, Franklin Delano Roosevelt, and, today, Lyndon LaRouche.

Franklin represents everything unique and positive about the founding of the United States. A product of the republicans of Puritan New England, particularly the Mather family, Franklin developed as an ally of the Leibnizian faction in Europe, and participated in that faction's political, scientific, and nation-building work. He established institutions for the general welfare of the population, from the first circulating library in this country, to the Constitution of the United States. He pulled together and coordinated an international network of scientists and political leaders, who not only helped win the

American Revolution, but played a crucial role in advancing science, and the industrial revolution, throughout Europe, and for the world as a whole.

There is an almost uncanny parallel between the role which Franklin played over the span of the 18th Century, and that which Lyndon LaRouche is playing today. Both conceived their roles strategically, and spent much time travelling and living outside the United States, in the interest of pulling together the necessary combination of forces which could secure the existence of the American republic, and the improvement of all mankind. Both corresponded with the world's leading scientific circles, and wrote prodigiously, for the common man and intellectual alike. Both can be called editor, statesman, philosopher, scientist, and humorist—and have been vilified by their enemies. Both saw themselves operating in history, not the here and now, and understand that the improvement of the life of Americans, is in the interest of all other nations. Both encouraged their fellow men to do the same.

Why has Franklin's crucial role been suppressed? Because anti-republican forces have taken over our culture, to the point where any "great man" (or woman) is denigrated as "anti-democratic." This populist perversion has become particularly strong in the wake of the life of Franklin Delano Roosevelt, and among the current Baby Boomer generation. Yes, indeed, many individuals *should* take on the world-historical commitment of leadership in politics, science, and economics, but they have not done so. Instead, their efforts have gone into tearing down those leaders who have challenged them to restore our republic to the ideas of Benjamin Franklin and Abraham Lincoln. That makes them "feel" better, as they pursue their own petty concerns.

It's long past time this idiocy be stopped. America today needs a leader like Benjamin Franklin—and that leader is Lyndon LaRouche. Let's review briefly what Franklin's leadership looked like, back in the 18th Century.

## Universal Man

Born in Boston, Massachusetts into a family of 17 children, Ben Franklin had the benefit of encountering the culture of that colony's republican faction, around Cotton Mather, very early. He drank it in voraciously, and there is compelling evidence, presented by historian Graham Lowry in his invaluable book "How the Nation Was Won," that young Ben became an agent of the Mathers, and their Leibnizian collaborators in Massachusetts, New York, and Pennsylvania, as early as 1722. Franklin was well on his way to becoming a world leader.

Franklin was 18 when he took his first international trip, to London, on behalf of this republican network. Ultimately, this man—who wanted to be remembered in his epitaph as a simple printer—spent about 20 years in Europe, all in service of securing the requirements for the revolution he was attempting to carry out.

Few, if any, outside the LaRouche movement, have identified the scope and impact of this network. Most obvious are those whom Franklin, America's premier ambassador, recruited to come to America, in order to serve the revolutionary cause—Mathew Carey, Tom Paine, the Marquis de Lafayette, and Kosciusko, among others—or whose direct support for the revolutionary war effort he secured, most especially in France. But the less visible networks of scientists and industrialists and political operatives must also be noted, and they are quite extraordinary, ranging from the English circles who made the so-called industrial revolution, to the scientific and pro-industrial circles in France, to the intellectual and republican elite in Germany.

Of course, given the lack of unity among the American colonies, Franklin had to undertake the task of coordinating among them as well, building the scientific and political networks who would form the core of the new nation. This activity began as early as 1727, when Franklin established his Junto in Philadelphia, a grouping of citizens devoted to discussing scientific and political affairs, and how to spread their ideas. Between then, and 1743, when he established the American Philosophical Society, to coordinate among intellectual leaders in the various colonies, Franklin worked on establishing a

network of scientific collaborators internationally, with whom he corresponded and shared hypotheses about matters of electricity, weather, and theoretical questions.

Increasingly, in the same period, the by-now-well-established printer was playing a role in the government of Pennsylvania, and establishing various institutions for the general welfare, from schools, to libraries, to the fire department. He took a hand in organizing a militia, when required to defend the citizens from the Indians, and, from 1737 forward, served as the Postmaster for Philadelphia.

By 1754, Franklin had begun to think of the establishment of a nation, as a number of the colonies came together to consider the Albany Plan of Union, in upstate New York. Franklin's plan for unity under a single governor, with taxing power, was vetoed both by the British Parliament and local governors. It would not be until 1787, when Franklin played a quiet, but guiding role in the Constitutional Convention, that his vision of a united America would prevail.

## Commitment to Mankind

Back in the 18th Century, Benjamin Franklin was lionized in Europe as the "American Prometheus." The sparks of his intellectual genius, as well as the practical work which he had done on electricity, were understood as world-historical accomplishments. What a contrast this appreciation is, to today's idea of Franklin as a dealer in "practical tips" of all sorts!

Sure, the publisher of Poor Richard's Almanack did indeed dispense advice about "the way to wealth," along with a wealth of wit. But, seen in the context of the nation-building and scientific-network-creating which this same man was engaged in, Franklin's publishing has to be understood as an aspect of building a constituency for his life's work.

What Franklin was committed to was *doing good*, and creating the institutions which would continue that good far beyond his own lifetime. His inspiration, as he himself expressed it, came from Cotton Mather's *Essays To Do Good*, a book published in 1710, and was consistent with the work of the other universal genius of this time, the German philosopher Gottfried Wilhelm Leibniz, in attempting to *improve mankind* through science and statecraft. Leibniz, who was also a scientist, legal adviser, and economist, and who built an international network reaching into England and the American colonies, as well as the rest of Europe and Russia, died in 1716, and, in a real sense, Franklin can be understood as picking up on his work.

Thus, we properly understand Benjamin Franklin as our Leibnizian Founding Father, a universal genius who pulled together the cadre for building a republic with the potential to do good to all mankind. As we celebrate his birthday, we must commit ourselves to his mission, which he expressed, in a letter written in 1753, as follows:

"For my own part, when I am employed in serving others, I do not look upon myself as conferring favors, but as paying debts. In my travels, and since my settlement, I have received much kindness from men, to whom I shall never have any opportunity of making the least direct return, and numberless mercies from God, who is infinitely above being benefited by our services. Those kindnesses from men, I can therefore, only return on their fellow men; and I can only show my gratitude for these mercies from God by a readiness to help his other children and my brethren. For I do not think that thanks and compliments, though repeated weekly, can discharge our real obligations to each other, and much less those to our Creator. You will see in this my notion of good works, that I am far from expecting to merit heaven by them....

"The faith you mention has doubtless its use in this world. I do not desire to see it diminished, nor would I endeavor to lessen it in any man. But I wish it were more productive of good works than I have generally seen it; I mean real good works, works of kindness, charity, mercy, and public spirit; not holiday-keeping, sermon-reading or hearing, performing church ceremonies, or making long prayers, filled with flatteries and compliments, despised even by wise men and much

less capable of pleasing the Deity....

"Your great Master thought much less of these outward appearances and professions than many of his modern disciples. He preferred the *doers* of the word, to the mere *hearers*; the son that seemingly refused to obey his father and yet performed his commands, to him that professed his readiness, but neglected the work; the heretical but charitable Samaritan, to the uncharitable though orthodox priest and sanctified Levite; and those who gave food to the hungry, drink to the thirsty, raiment to the naked, entertainment to the stranger, and relief to the sick, though they never heard of his name, he declares shall in the last day be accepted, when those who cry Lord! Lord!, who value themselves on their faith, though great enough to perform miracles, but have neglected good works, shall be rejected...."

## In Depth Coverage

Links to articles from *Executive Intelligence Review*\*

\*Requires Adobe Reader@.

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### Feature:

#### Believing Is Not Necessarily Knowing

by Lyndon H. LaRouche, Jr.

*This statement was released by the LaRouche in 2004 Presidential campaign committee.*

"The root of the increasingly catastrophic failure of U.S. education policy of practice, over the recent thirty-odd years, may be summed up in five points of a general indictment..."

### Economics:

#### Maglev Launch in China Revives Germans' Plans

by Rainer Apel

The spectacular maiden voyage of the Sino-German maglev train in Shanghai on Dec. 31 has created a positive shock of much-needed technological optimism in Germany, where the Transrapid super-high-speed train was developed.

Commentary by Helga Zepp-LaRouche, beginning on page 17:

#### **Germany Must Build Eurasian Land-Bridge**

Helga Zepp-LaRouche spoke to a forum in Peru on Dec. 27, 2002, on the promise of Lyndon LaRouche's concept of the Eurasian Land-Bridge.

#### Bush Waves a 'Stimulus' At an Economic Breakdown

by Richard Freeman

President George W. Bush's Jan. 7 unveiling of an absurd \$674 billion 'stimulus package' had two overriding qualities: its terrified refusal to face reality—the bankrupt world economic-financial is disintegrating in the biggest systemic breakdown crisis in 500 years—and its admission that the Bush economics team does not have a clue what to do about it.

#### New York City's Crisis Demands 'Super TVA'

by Mary Jane Freeman

New York City's \$7.5 billion budget crisis is as great as many states' budget deficits. Its \$43 billion budget is bigger than that of all but three states.

### International:

## [Ariel Sharon Is Israel's 'Godfather'](#)

[by Dean Andromidas](#)

The corruption scandal raging around Israel's Likud party has reached such depths that Prime Minister Ariel Sharon is being called the 'Godfather' and 'the Mobutu of Israel.'

## [Why Saudi Arabia Resists The Drive for Utopian War](#)

[by Hussein Askary](#)

Saudi Arabia is known as the land of Islam's two holiest sites: Al-Ka'aba in Mecca and the Prophet's Mosque in Al-Madinah. It is also the world's largest oil exporter with a production capacity of up to 8 million barrels per day. It is one of the United States' main allies in the Mideast since President Franklin Roosevelt established that relationship with King Abdul-Aziz Al-Saud in 1945.

## ['Iraq Coup' Plan Masks Chaos: Stop the War!](#)

[by Muriel Mirak-Weissbach](#)

The world entered the new year with a call by Pope John Paul II for peace, but also with an escalation of both the military mobilization of forces into the Persian Gulf, and with associated psychological warfare campaigns.

## ['Before You Send A Single Briton To Die'](#)

[by Tam Dalyell](#)

TamDalyell is the longest-serving member of Britain's House of Commons, and a veteran of military service. He authorized EIR to publish his letter to British Prime Minister Tony Blair on the threat of an Iraq war.

## [Commonwealth's Imperial Crowd Targets Indonesia](#)

[by Mike Billington](#)

The utopian war faction within the Bush Administration may see their scenarios of war in Iraq and Korea slipping away under international pressure and factional battles at home; but the old Anglo-American imperialist guard has nonetheless unleashed a barrage of public diatribes calling for a return to Empire.

## **National:**

## [Rangel's Military Draft Bill Ruffles Hawks' Feathers](#)

[by Michele Steinberg](#)

A New Year's Eve commentary in the New York Times, 'Bring Back the Draft,' by Rep. Charles Rangel (D-N.Y.), the ranking Democrat on the Ways and Means Committee and a senior member of the Black Caucus, has the pro-Iraq war 'chicken-hawks,' and their allies among the uniformed utopians 'up in arms.'

## [A Bigger Scandal: Illegal U.S. Funding of Sharon's Likud](#)

[by Anton Chaitkin](#)

*EIR's* recent series of exposés tracing the dirty money behind Prime Minister Ariel Sharon and the Likud party, have helped fuel the roaring political scandal threatening to wreck what was once thought to be a certain Sharon win in the upcoming Jan. 28 election.

## [Rumsfeld Revives Vietnam-Era 'Phoenix' Assassination Teams](#)

[by Edward Spannaus](#)

On Jan. 8, Defense Secretary Donald Rumsfeld announced a reorganization of the U.S. Special Forces Command (SOCOM) which, he said, will give it the authority and the tools 'to plan and execute missions in support of the global war on terror.'

## [Opposition to Iraq War 'Won't Go Away'](#)

[by Michele Steinberg](#)

The year-long campaign that has been led internationally by U.S. Democratic Party 2004 Presidential pre-candidate Lyndon LaRouche, to prevent an imperial war against Iraq, was boosted from an unexpected quarter—a behind-the-scenes faction of Britain's policy elite—on Jan. 9, when British Prime Minister Tony Blair's office put out an official statement that 'January 27 . . . should not be regarded in any way as a deadline.'

## [Medical Malpractice Meltdown Preventable](#)

[by Linda Everett](#)

With each passing month, thousands of U.S. physicians, along with hospitals and nursing homes, are being sucked into a forbidding whirlpool of vanishing malpractice insurance, the new crisis within U.S. health care.

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