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This Week You Need To Know

Who Is Raping California?

by Lyndon H. LaRouche, Jr. — Leesburg, Virginia — September 3, 2003

On Sept. 5, LaRouche in 2004, the campaign committee of Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr., issued a special White Paper for intervention in the California recall campaign, dedicated to exposing the fact that the political forces behind the recall, are the very same ones who looted California with deregulation. This week's editorial is the introduction to that White Paper, which calls on Californians to wake up, think, and defeat the recall, for the sake of themselves and the nation.

The same message is appropriate for all Americans. The LaRouche in 2004 Committee has released the White Paper as a pamphlet, in 300,000 copies in English, with 100,000 copies in Spanish planned for next week. The full pamphlet can be found on the candidate's website, www.larouchein2004.com.

Don't be a sucker again!

The fact is, if the California "recall" were to succeed, there would not be much left to hang on the state's Christmas trees come the end of the year. The recall scam has been brought to the voters of California by the same people who had already used the deregulation scam to rob the state and its people of tens of billions of dollars, especially since Dick Cheney became Vice President of the nation. These same scamsters have destroyed what had been a reliable system of production and distribution of power, which used to be delivered at a fair and predictable price, until the deregulation swindle was pushed through.

Deregulation was bad; recall is even worse. Please, don't be a sucker for the same swindle twice! If you had known the facts, you would never have allowed the recall proposal to be pushed through.

In this White Paper we are giving you those facts. Think! How did deregulation of power happen in California? Think! What happened as a result, even before George W. Bush became President? After January 2001, the big rip-off was unleashed. Think! Who did that? Read this White Paper: there was Enron, the biggest backer of the Bush 2000 campaign. There was Vice President Dick Cheney, who organized the cover-up for the biggest part of the swindle that ripped off tens of billions of dollars from the state.

There are also other important facts in this White Paper: such as President Bush's demand for a new round of deregulation, which will make things worse, at a time when most Californians can hardly conceive what is still left to steal.

Then, there is the Arnie Schwarzenegger freak-show, backed by big-time super-swindlers such as Bechtel's George Shultz and "the second richest man in the world," Warren Buffett. These are the big-time financial sharks who are deploying Arnie to do to the entire state of California, on a bigger scale, what Lazard Freres' Felix Rohatyn did to New York City with "Big MAC" in 1975.

Think! Who is to blame for what happened to California under de-regulation? Divide those responsible into two groups. First, there were the suckers, who should have known better, but voted for de-regulation. The suckers included elected officials; all of them. The list of suckers includes the voters who supported those decisions of the elected officials. Second, there are the high-binders who sold the Enron swindle to the state, swindlers who knew what they were doing, and who fooled the suckers into believing in deregulation. Third, there are the real suckers, the voters who would support deregulation still today, or support the "recall" which would have the effect of guaranteeing the hopeless bankruptcy of the entire state.

This White Paper gives you some of the most important answers to those and other questions.

Compare your electricity bills in 1995, in 2000, and today. Dig them out and compare them, if you can. If you can not, you could look up the figures on the public records. Ask yourself: Did deregulation give you more reliable power supplies? Did it reduce the cost of power for you, for the state as a whole? How do you explain the tens of billions of dollars which Enron and others like them looted from the state of California? What was the crucial role of Vice President Cheney in pushing this swindle through?

An estimated 50 million people in the Northeast corner of North America were hit by a power outage which was supposed never to occur again. It occurred solely as a result of deregulation, which had destroyed the security system set to ensure that something like the great blackout of 1965 should never happen again.

That new blackout occurred for exactly the same reason that the deregulation of power pushed hard by Vice President Cheney has nearly bankrupted California today.

Under a rational system of regulation of the coordinated production and distribution of power, generation and distribution were coordinated to ensure a reliable flow of power to places where the power was needed. Under deregulation, there has been an escalating shut-down of essential production and channels of distribution, with power going to places in which the available selling-price of power is the highest, and away from areas in which the price is lower at that moment. Local and giant blackouts are the inevitable result. The longer deregulation continues, the higher the price of power to the consumer, and the greater the number and scale of blackouts.

Now, it is easy to apologize for the behavior of President Bush, the man you would not hire to teach geography at any self-respecting public school. When he says deregulation is necessary, you have to excuse him as a man who rarely knows what he is talking about. Dick Cheney, on the other hand, is no genius, but he is an experienced carpetbagger, whose old firm, Halliburton, is ripping off the U.S. Treasury in Iraq, and who is a key figure in the 2001-03 deregulation rip-off of California. Cheney represents the operation which has deployed freak-show specialist Schwarzenegger to join with Lieutenant-Governor Bustamante in supporting the orchestration of the Bush team's recall operation in California.

Links to articles from *Executive Intelligence Review**

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Feature:

The Role of Young People In Building a New World Order

A speech by **Dr. Chandrajit Yadav**, chairman of the Centre for Social Justice in New Delhi. "Youth must have a very high vision, a great desire. You should have the courage, and you should have the desire to climb the Everest--the highest mountain peak of the world! You should not fear, that while I'm going to climb, there are too many dangers--there will be a snowstorm; there will be avalanches; there will be so many problems. No! You nurture those feelings of fear--then you can't do great things."

Economics:

To Fix the Shuttle: Change American Culture

by Marcia Freeman

The report by the Columbia Accident Investigation Board shows that flaws in "NASA's culture" are actually a reflection of the broader cultural paradigm shift from the values of the early 1960s to today. As Lyndon LaRouche said at the time of the tragic accident, "Blame the bookkeeper mentality."

Will Germany Revive Nuclear Power?

by Rainer Apel

The power blackouts in the United States, Britain, and Italy, plus the effects of Europe's recent heat wave, are making Germans question the foolish ban on nuclear energy.

Heat Wave: Is French Health-Care System Falling Back to Middle Ages?

by Agnès Farkas

Forget the media hype about beautiful women, perfumes, silk scarves and lovers drifting over bridges on the Seine. This is a country of 60 million people, where 10% of the labor force is officially unemployed, while 50% of those who do have a job, earn less than 1,500 euros a month, gross.

International:

LaRouche Defends the Zayed Center with Background: Why the Zayed Center was Shut Down

by Lyndon H. LaRouche, Jr.

It is my information, which I have received through channels which I know to be responsible and reliable, that the closing of the Zayed Centre for Coordination and Follow-Up (ZCCF) in Abu Dhabi, where the U.S.A.'s James Baker III once spoke, as I had done, occurred under heavy pressure from elements within the U.S. Bush Administration. Such action by the United States is another piece of idiocy, like the continuing U.S. war in Iraq, which is directly contrary to the current and long-term security interests of my republic, the U.S.A.

Late-Summer Nightmares Shattering Blair Regime

by Mark Burdman

British Prime Minister Tony Blair has taken such a political battering, during the usually quiescent British Summer, that serious observers are asking who and what can replace him? Blair has suffered a number of severe shocks.

Russia Reacts To Cheney Nuke-War Policy Threat

by Jonathan Tennenbaum

The strategic insanity of Dick Cheney's Bush Administration, including the new U.S. doctrine of 'pre-emptive' use of nuclear weapons, has triggered a far-reaching shift in military planning on the part of Russia, China, India, and other nations, that can have very nasty consequences for the United States and the world. Most explicit has been the response from Russia.

Afghan Opium Wave Ready To Drown the Region

by Ramtanu Maitra

The Afghan opium harvest this spring is now getting converted into heroin and has begun to move to Europe via Central Asia and Russia. This year's harvest, close to 3,500 metric tons, will not only serve the masses, but may help feed many war parties now in action in the region. The massive opium and heroin outflow from Afghanistan has rattled Russia, Ukraine, and Central Asia in particular.

Who Wants Civil and Religious War in Iraq?

by Hussein Askary

The August 29 car-bomb attack on the Shrine of Imam Ali in the holy city of Al-Najaf, claiming the lives of more than a hundred mosque-goers including the leader of the Shi'ite Supreme Council of the Islamic Revolution in Iraq (SCIRI) Mohammed Baqir al-Hakim, was a terrorist crime unprecedented in the modern history of Iraq. Although the real perpetrators of this crime are not yet known, the clear purpose of the attack was to shift the attention from the growing recognition of the total failure of the U.S.-British neo-cons' war and occupation policy for Iraq.

An Israeli Hero Calls for Justice

by Michele Steinberg

On Aug. 29, a powerful statement of conscience from Avraham Burg, an Israeli Labor Party Knesset (parliament) member who had served as Speaker of the Knesset (1999-2003), was published on the front page of The Forward, the national Jewish newspaper in the United States. The article is entitled 'A Failed Israeli Society Collapses While Its Leaders Remain Silent.'

Sharon's Time Bombs in the 'Jewish Underground'

by Dean Andromidas

Israel's Shin Bet domestic security service has arrested nine Jewish settlers in July and August who were planning terror attacks on Palestinians. At arrest, the network members were in the possession of 5 kilos of military explosives, testimony that they had massacre on their minds. The network constitutes part of Israeli Prime Minister Ariel Sharon's 'infrastructure of terror' when brutal provocations are needed.

Neo-Cons' Allies Out in the Philippines

by Mike Billington

Within days of the July 27 mutiny by dozens of young Philippine military officers, demanding the resignation of Defense Minister Gen. Angelo Reyes and the head of military intelligence Gen. Victor Corpus. ... The young officers had put their careers on the line, charging Reyes and Corpus with complicity in arms sales to insurgents, and for the direct instigation of terrorist acts, aimed at facilitating U.S. support for the Philippine military ... despite explicit constitutional restrictions against such foreign military operations on Philippine soil.

Australia Dossier: Synarchists Under Fire.

by Robert Barwick

A political bombshell exploded in Canberra on Aug. 22, when a former top Australian spy, Andrew Wilkie, testified that the Australian Government deliberately lied about Iraq's weapons of mass destruction, in order to 'stay in step with Washington.'

Culture:

Sophism: Ideology That Destroys Societies and Nations

A speech by **Michael Liebig** to the Schiller Institute Summer Academy in Frankfurt, Germany. "The political battle for Athens was lost; but the war, in world historical terms, was won by Socrates and Plato. Because, the 'youth movement' that Socrates had built up over more than three decades of teaching, developed an intellectual strength which drove the Sophist ideology onto the defensive and soon discredited it completely."

National:

LaRouche Says: Bush Must Purge Neo-Cons Now!

by Jeffrey Steinberg

The fiasco in Administration foreign policy has led to a growing chorus of calls for the entire Iraq effort to be turned over to the United Nations. But without ousting the Cheney-led "war party," the President will be unable to effect these urgently needed policy changes.

'Ahnuld' Is Dick Cheney's Overpriced Geek Act

by Scott Thompson and Jeffrey Steinberg

California gubernatorial candidate Arnold Schwarzenegger is the poster-boy for the policies being peddled by the Vice President and his neo-conservative allies.

LaRouche National Conference Aims To Take Sacramento and Washington

Meeting simultaneously in northern Virginia and California over the Labor Day weekend, 1,100 organizers and activists of Lyndon LaRouche's campaign in the United States were told by the Presidential candidate that defeating the California recall, and forcing Dick Cheney out of office, are the crucial immediate steps to save the country from fascism and win the White House.

- **Dymally: Revitalize Democrats**

Former Congressman and current California Assemblyman Mervyn Dymally offered these remarks to the Schiller Institute conference on Sept. 2, speaking from Burbank, Calif.

Cheney's Carpetbaggers: Looking for the Loot at the End of the Tunnel

by Edward Spannaus

Going into the Iraq War, Vice President Dick Cheney and his cronies were not only telling Congress and the American people that the invading U.S. troops would be welcomed in the streets as 'liberators' by the Iraqi people, but that those streets would be paved with gold. ... Privately, they were cooking up fanciful schemes to loot Iraq's oil resources as soon as the war was over, as a by-product of their imperial dreams of dominating and remaking the the Gulf region and the Middle East.

Interview:

The Phantom Rulers

An interview with Denis Labayle.

Dr. Labayle of Paris is a medical doctor, and author of *The Life Before Us: An Investigation of Retirement Homes* (1995); and *Tempest Over the Hospital* (2002).

U.S. Economic/Financial News

American Civil Engineers: U.S. Needs Massive Upgrade of Infrastructure

The U.S. "must adopt a coordinated national approach" to repair and develop its crumbling infrastructure, whose condition has continued to decline since it was graded "D+" in 2001, the American Society of Civil Engineers warned Sept. 4. If America fails to invest in its deteriorating transportation, water, and energy systems—infrastructure which previously had "long set the standard for the world"—"anything" could happen, cautions ASCE in its 2003 "Progress Report" for America's infrastructure, as Congress reconvened.

The dire report is a follow-up to ASCE's 2001 "Report Card" which graded 12 infrastructure categories at a discouraging D+ overall, and estimated the need for a \$1.3-trillion investment over five years, to bring conditions to acceptable levels. Since then, conditions "continue to decline" for the nation's roads, transit, energy, drinking water, wastewater, dams, and navigable waterways, even as demand is increasing, ASCE found. In addition, there was "no progress" in the condition of bridges, aviation, schools, solid waste, and hazardous waste. As a result, the cost to repair and expand infrastructure—the "foundation for our economy"—has risen to \$1.6 trillion over a five-year period, ASCE estimates—even as terrorism hype

has diverted funding for maintenance and growth, to implement security measures.

Federal action is urgently needed, ASCE insists, not only for Congress to pass legislation to provide critical funding to repair and upgrade infrastructure; but, to create a "long-term infrastructure agenda" for the nation. "We must adopt a coordinated national approach," urged ACSE president Thomas Jackson, "to the development and maintenance of our infrastructure." He called on Bush to appoint a new Federal commission "to develop America's infrastructure agenda for the 21st century."

"The time to act on infrastructure investment is now," said Rep. James Oberstar (D-Minn), the ranking Democrat on the House Transportation and Infrastructure Committee, at the ASCE press conference.

Here are some of the findings of the ASCE report:

***ROADS & BRIDGES.** 2001 Grade: D+/C. 2003 Trend: Declining/No Progress. In a dangerous trend, "the nation is failing to even maintain the substandard conditions we currently have." As of 2000, more than one-quarter of the nation's bridges were classified as structurally deficient or functionally obsolete.

***TRANSIT.** C-. Declining. Transit systems, such as Amtrak, are "in peril," showing "signs of decline," even as public transportation ridership is increasing.

***AVIATION.** D. No progress. Although the FAA expects dramatic growth in passenger and cargo air travel over the next decade, airport officials are spending funds on security measures instead of infrastructure.

***SCHOOLS.** D-. No progress. A whopping 75% of our nation's school buildings remain "inadequate."

***DRINKING WATER.** D. Declining. "The situation continues to worsen as aging systems—some developed more than a century ago—continue to service our ever-growing population."

***WASTEWATER.** D. Declining. America's 16,000 wastewater systems face "enormous" needs, as some sewers are 100 years old and many treatment facilities have exceeded their recommended life expectancy.

***DAMS.** D. Declining. The number of unsafe dams has jumped by 23% to nearly 2,600, posing a direct risk to human life should they fail.

***SOLID WASTE.** C+. No progress. U.S. lacks an efficient management system for growing electronic waste.

***HAZARDOUS WASTE.** D+. No progress. The clean-up rates of brownfields and Superfund sites, are not able to keep up with the rate at which new sites are identified.

***NAVIGABLE WATERWAYS.** D+. Declining. In "urgent need of modernization" to meet present and future levels of waterborne traffic. Half of the navigation locks on inland waterways exceed their 50-year design life, while key deep-draft channels at gateway ports are inadequate for mega-container ships.

***ENERGY.** D+. Declining. Annual transmission investment has plunged by 60% from 1975 to 2000.

Statistical Fakery and Defense Spending Provide 'Increase' in U.S. GDP

On July 31, the Commerce Department delivered the "good news" that the U.S. recovery had already started in the second quarter. According to the highly sophisticated way the Commerce Department calculates GDP, economic activity in the U.S. was rising by an annualized 2.4% in the second quarter. This was just the "advance" assessment. In its "preliminary" report, released on Aug. 28, the government's data manipulators even produced a 3.1% growth figure. And this was only the beginning. In discussions with Japanese business leaders on Sept. 1, U.S. Treasury Secretary John Snow stated that U.S. GDP will most likely grow by 4% or more during the third quarter. Certain investment bankers are already speaking about GDP growth rates of up to 7% for this quarter.

However, all of this hype is based upon two factors: a rapid increase in defense spending, and an extremely crude form of statistical fakery. First, the 3.1% figure is "annualized," which means that GDP only increased by about 0.8% during the second quarter. In absolute terms, GDP increased by an annualized \$78.1 billion as measured in "chained 1996 dollars." More than half of that increase stems from national defense spending, which went up by \$40.6 billion to \$450.3 billion.

The remaining part of the GDP increase was generated by using the so-called "hedonic pricing" method, a highly complex and arbitrary way of calculating "quality adjustments." In any case, the method is very effective. While annualized computer sales increased from \$76.3 billion in the first quarter to \$82.6 billion, the computer sales "in chained dollars," that is, after taking into account all sorts of adjustments, increased from \$319.1 billion to \$357.5 billion. By using the "hedonic" method, the Commerce Department has actually quadrupled the volume of computer sales, and has even pumped up the increase in computer sales by a factor of six, that is, from \$6.3 billion to \$38.4 billion.

Without the increase of defense spending from an already record-high level, and without the "hedonic" ballooning of computer sales, the U.S. GDP would have increased by a tiny \$0.8 billion, equivalent to a growth rate of 0.008%. Going back to the "advance" assessment, the same procedure would lead even to a shrinking of GDP during the second quarter.

Most Job Losses Since 2001 Are Permanent, Says N.Y. Fed

While the Administration peddles its "recovery" hoax, and President Bush on Sept. 5 insisted that continuing job losses are only a "short-term problem," the systemic nature of the economic collapse was acknowledged, albeit obliquely, in a study released Aug. 28 by the Federal Reserve Bank of New York, written by Erica Groshen (an assistant vice president), and Simon Potter (a senior economist). An overwhelming majority of the 2.7 million jobs lost since 2001 will not come back, the authors found, because of "structural" changes in the economy, as industries decline and eliminate jobs.

As evidence, they note that permanent layoffs vastly outnumbered temporary layoffs, many through outsourcing. Many of the lost jobs, in addition, were "permanently relocated" to other industries or sectors of the economy. "Most of the industries that lost jobs" since 2001, they wrote, "are still losing jobs," giving "persuasive evidence" that the economy is undergoing a structural—not cyclical—shift.

Firms, in a Hobbesian drive to cut costs, have seen the collapse as "an opportunity—or even a mandate"—to move overseas, shut down facilities, and "cull staff," they write.

93,000 Jobs in Disappear in August; 265,000 Workers Dropped from Labor Force

U.S. employers slashed 93,000 non-farm payroll jobs in August; yet official unemployment slid to 6.1%, as 265,000 workers were dropped from the labor force, the U.S. Labor Department's Bureau of Labor Statistics revealed Sept. 5. The largest monthly net job loss since March, brings the total number of job cuts since January to 595,000. Manufacturing had a net loss of 44,000 jobs in August; since July 2000, factory employment has fallen continuously, shedding nearly 16% of its jobs.

"The armchair experts who say this is just another cyclical downturn, are in a dream world completely out of touch" with reality, said Jerry Jasinowski, president of the National Association of Manufacturers.

Employers Announce 795,574 Job Cuts in First Eight Months of 2003

During January-August, U.S. employers announced plans to slash nearly 800,000 more jobs, a staggering figure, even though it is down 15% from the level in the first eight months of last year, according to *Bloomberg* Sept. 3. Job-cut announcements in August totalled 79,925, down slightly from the 85,117 reported in July, according to Challenger, Gray & Christmas, a Chicago placement firm. Leading the pack, telecommunications companies in August announced plans to drop 18,739 jobs; government and non-profit organizations, 6,921 job-cut announcements.

Manufacturing Production Rises as Employment Continues To Collapse

The Institute for Supply Management announced Sept. 2, that its manufacturing index for August rose to 54.7 from 51.8 in July, as production reached the highest level since June 1999. But somehow, manufacturing employment kept right on collapsing—59,000 more in July, the 34th straight month of contraction. Moreover, the 3 million jobs lost are not coming back, despite the supposedly booming recovery.

Why? China, of course: everyone's favorite excuse these past weeks for the collapsing world economy. Our manufacturers have to trim down the workforce to compete with the unfair Chinese who refuse to let the yuan float, explains the ISM.

The ISM does, at least, admit that the "recovery" is not sustainable, if employment does not pick up.

Power-Grid Workers Speak Out vs. Deregulation

The deregulated trading system in electricity has "complicated our job tenfold," a power-grid operator told the *New York Times* Sept. 2. There is increasing strain on the shrinking workforce responsible for managing a grid which is fed electricity from increasingly distant and irrationally coordinated sources.

The operator, speaking anonymously, said, "Things have gotten extremely intense compared to the way it was, say, 10 years ago. We're facing people out there who are strictly power marketers. They really don't care too much about the reliability. They get their bonuses based on the size of the deals they make."

Veteran operators have been phased out or retired early under cost-cutting programs.

James L. Dushaw, utility-division director of the International Brotherhood of Electrical Workers, said "The culture used to be 'Keep the lights on.' There was a duty, a responsibility, a pride that existed. That is very hard to maintain under the pressures that are here now."

35 Million Americans Living in Deep Poverty

The U.S. Census Bureau's monthly "American Community Survey," released Sept. 3, shows that the number of American living in poverty rose by more than 1.3 million last year, to 12.4%, from 12.1% in 2001, and totalled a shocking 34.8 million.

The adjusted poverty-line figures for 2002 have yet to be announced. In 2001, a family of two children and two adults would have to have made less than \$17,960 to be ranked as below the poverty level. For a single person under the age of 65, the poverty line in 2001 was roughly \$9,200 a year.

World Economic News

Bank of Japan Worries About 'Excessive' Bond Market Decline

Prices for Japanese government bonds (JGB) have been plunging since mid-June. On the other hand, the yields on government bonds are going sharply up. On July 2, yields on 10-year JGBs reached 1.66%, almost four times the record low of 0.43% from June 11. Yields on five-year JGBs hit a 2.5-year high on the same day. Vice Finance Minister Masakazu Hayashi said Sept. 1 that the current moves of government bond yields are "too rapid," and the government will continue to watch the Japanese bond market, by far the biggest in the world, "with caution." Bank of Japan (BOJ) policy board member Kazuo Ueda, according to the *Asahi* newspaper, described the rise of bond yields as "excessive" and said the BOJ will take steps to prevent rates from rising further. He thereby raised expectations that the Japanese central bank might soon announce an increase in its monthly purchases of government bonds.

As London's *Financial Times* noted Aug. 30, the "recent jump in Japanese government bond yields is likely to cause dislocations in the global government bond markets." The ultra-low Japanese bond yields of the past had been a crucial factor in the flooding of global markets by Japanese money as investors looked for better returns abroad. According to data by the Japanese Finance Ministry, Japanese investors put \$218 billion (25.4 trillion yen), over the last 12 months, into foreign bond markets. One of the most active such investors was the Bank of Japan itself. And, the *FT* emphasizes, "it was the U.S. Treasury market that benefited the most from the Japanese funds, a useful source of extra support at a time when Washington's budget deficit was hitting all-time highs." As Japanese bond yields are rising, these capital flows into the U.S. could soon slow down dramatically.

Thailand Announces \$21 Billion Rail Transport Revolution

The Thai government plans to develop a nationwide electric tram network within the next five years, hoping the project will help the country save petroleum-based transportation costs by \$7 billion annually, *Business Day* reported Aug. 29. Minister of Transport Suriya Jungrungreangkit said energy consumption for transportation accounts for about 37% of total petroleum use, including the industrial sector, and passenger-car fuel use is much higher than the amount used for public transportation. On a global scale, electric cargo trams make up 30% of transportation networks in developed countries, compared to only 2%-3% in Thailand, said Suriya. The government will fast-track plans to develop electric tram networks across the country within five years, instead of 30 years, as originally planned. Groups of investors from Europe, Japan, and China have expressed eagerness to jointly invest in the project, said Suriya.

Apart from electric trams, the Ministry has a plan to develop a high-speed train project, said Suriya. After completing a feasibility study, the Ministry plans to build high-speed train service on the Bangkok-Nakorn Ratchasima route as a pilot project.

India Considers Rail Link from New Delhi to Hanoi

India is considering building a rail link from New Delhi to Hanoi, North Vietnam, Prime Minister A.B. Vajpayee announced Sept. 4. Vajpayee, who was inaugurating the second India-ASEAN Business Summit in New Delhi, said that the rail link might follow the trilateral highway project, to link Thailand and Myanmar with India.

"Work has started on a trilateral highway project linking Thailand, Myanmar, and India ... under the Mekong-Ganga cooperation, [and] we are also looking at a New Delhi-to-Hanoi rail link," Vajpayee said.

Brazil's Economy Collapsing; Biggest Drop in GDP Since 1998

The average monthly wage of working Brazilians was 16% lower this July than last July (at a miserable U.S.\$278.30), while unemployment remained at a near-record 12.8%, down only slightly from the record 13% hit in June. The collapse of people's buying power is even affecting sales of such basics as medicines. Bristol-Meyers of Brazil reports that their Sao Paulo pharmaceutical plant is running at only 70% capacity, due to the drop in sales.

With such real collapses, Brazil's Gross Domestic Product fell by 1.4% in the second quarter, over the same quarter in 2003, in the biggest quarterly contraction since 1998.

Chatter from the Wall Street crowd is that with more cuts in the benchmark Selic interest rate, Brazilians will start to buy the products that they haven't been able to purchase thus far, and the situation will vastly improve. However, without a repudiation of the government's IMF policy, nothing will change; small cuts here and there in the interest rate won't make a dent in the collapsing economy. Indicative of the situation is the prediction of Usinas Siderurgicas de Minas Gerais, Brazil's largest maker of steel for the auto industry, which said it expects demand for its products to drop 8% in the second half of this year, because no one is buying cars. Compared to the first quarter of 2003, GDP declined by 1.6% in the second quarter, but areas such as the construction industry plummeted by a whopping 11%, its biggest quarterly decline since 1992. Industry dropped by 3.7%.

Argentine Population Worse Off Now, Than in Great Depression

Not even the Great Depression of the 1930s was as devastating for Argentina's population as is the economic disaster of the last four years, economist Daniel Muchnik writes in *Clarín* Aug. 24. Despite the hype about an economic recovery, Muchnik insists, there is no "trickle down" effect on the population. In the first half of this year, GDP increased by 6.5%, yet real wages in May had plummeted by 16.7%, compared to May of 2002. Also, as of May, out of an urban population of 35 million people, at least 2.3 million were unemployed, and another 2.8 million underemployed. *"This degree of abandonment has no precedent in Argentine history,"* Muchnik said. If there is more "oxygen" in the economy, "it hasn't translated into social improvement." He then points out that during the decade of the 1990s, the heyday of the free-market, "the economy expanded, but statistics showed that poverty and social inequality multiplied."

The national budget is not deployed at the service of Argentina's citizens, Muchnik argues, but rather to insure payment of the foreign debt. Thus, aside from a tiny increase in the minimum wage, pensions and state-sector wages are frozen. The public-works program announced by President Kirchner has yet to materialize. *La Nación* also reports that there is a new category of "over-employed" in the country, now numbering 4.3 million. These are the people who work more than 45 hours a week, many of them holding down two jobs. There are 405,000 more people in this category than in 2002, and at least half of them work 12-hour days, and more than 62 hours a week.

United States News Digest

Iraq: Vietnam in the Desert

Texas Republican Congressman: 'Can We Afford To Occupy Iraq?'

In a Sept. 3 statement to the Congressional Record, Rep. Ron Paul (R-Texas) updates his continuing opposition to the Iraq war, and the neo-conservative's imperial policy. Paul says that the bombing of UN headquarters drove home how "dangerous" the situation in Iraq is, but though the Bush Administration is "softening" on the question of the use of UN forces, we "should not expect any international coalition to help us pay the bills for occupying Iraq."

"It's easy for politicians to say" spend whatever it takes on Iraq because it's not their money, says Paul, adding that the American people deserve more than what the warmakers in the Administration have given them—i.e., "clear goals and a definite exit strategy."

The paradox, however, built by this bad war policy is that if there are "open elections," there's a good chance an anti-American regime would be chosen, maybe even one which is "fundamentalist." If the U.S. influences the election, a pro-American regime will not be trusted. "Realities" beg the question, "How will we ever get out." He says that the Korean occupation shows that occupation doesn't solve problems.

The Army Does Not Have Enough Troops To Occupy Iraq

By March 2004, the number of regular military forces available for Iraq would be 38,000 to 64,000, says a Congressional Budget Office (CBO) report, done at the request by Sen. Robert Byrd (D-WV). The CBO report came at a point that Secretary of Defense Donald Rumsfeld, a sarcastic critic of those who warned that hundreds of thousands of troops would be needed for an occupation, had called for one more "division" to bolster the 139,000 U.S. troops already in Iraq. Rumsfeld and his chickenhawks want the troops to come from foreign "allies," but their requests have been turned down by India, Turkey, and others, who insist that they will only join under a UN peacekeeping mandate, not the U.S. "unilateral" war.

By the U.S. Army rotation policy currently announced, U.S. troops will have to stay for one year, and most of the force will be rotated out

The CBO report also examines several options to increase that number, including eliminating the forces normally kept in readiness for contingencies, employing National Guard brigades, Army special forces in occupation duties and Marine Corps regiments, and increasing the Army's force structure, all at a vast cost increase.

Bush To Ask For \$60-70 Billion More for Iraq

In yet another demonstration that nothing in Iraq is going according to how the chickenhawks predicted it would, the White House has informed Congress that it will be asking for yet another giant supplemental appropriations bill to fund ongoing operations in Iraq. The amount of that request, \$60 to \$70 billion, is said to be about twice what most members of Congress were expecting, and comes only a little more than five months after the \$79-billion supplemental that the Bush Administration sprung on the Congress only days after starting the war in Iraq. This suggests that the optimistic scenarios that the Pentagon was spinning for the occupation as recently as July are not proving out, in particular, that the deployment of foreign troops in Iraq would substantially reduce the bill for U.S. military operations, which Pentagon comptroller Dov Zakheim pegged at about \$3.9 billion per month. Zakheim, in an interview with *EIR* in July, expressed great pride at his office's ability to forecast the monthly costs of Iraq operations through the end of the fiscal year, Sept. 30, but the projection is way off the mark.

U.S. Begging for Help in Iraq

A *New York Times* op ed by the Middle East Policy Council's Donald Hepburn details how incompetent the Cheney war

has been. Hepburn says, in the 1991 Gulf War, the U.S. coalition effort was called "Operation Tin Cup" and raised \$60 billion from the coalition. Now, says Hepburn, the U.S. coalition effort should be called "Operation Begging Bowl"—and nobody is giving! The article called, "Nice War, Here's the Bill," calculates that at \$1 billion per week for the military, a five-year occupation will cost \$300 billion. And, it's all borrowed money, already accruing interest. Then there's refugees, reconstruction, \$8 billion for immediate salaries; \$5 billion for initial humanitarian aid; and \$7 billion immediately for public utilities, yet to be added. In addition, the "mythical" oil revenues that the Pentagon chickenhawks promised would pay for everything will not be seen for three to five years.

More Indications of the Iraq Quagmire

Thomas White, the former Army Secretary ousted by Rumsfeld in June, 2003, has written a book about Iraq exposing that "the plan for winning the peace is totally inadequate." *USA Today* reports that White says the current Iraq policy "threatens to turn what was a major military victory into a potential humanitarian, political and economic disaster." White had agreed with former Army Chief of Staff Gen. Eric Shinseki's sober assessment to Congress that more than 200,000 troops would be needed for "peace-keeping" in Iraq, and such criticism of the chickenhawks' "group think" was a reason White was fired.

And, after less than four months, 9/11 "hero" New York City Police Commissioner Bernard Kerik quit as the Iraq Occupation's police chief, responsible for recruiting and training the Iraqi police force. Kerik would have been at the Baghdad police station on Sept. 2, when the bomb went off, but he changed his plans at the last minute to leave Iraq one day earlier.

Wolfowitz, Abizaid Brief Congress on Iraq

Congressional concerns, including numbers of U.S. troops and the costs of U.S. operations, were at the top of the agenda when Deputy Secretary of Defense Paul Wolfowitz and U.S. Central Command chief Gen. John Abizaid marched up to Capitol Hill on Sept. 4. Senate Armed Services Committee chairman John Warner (R-Va.) might have been expressing Congressional sentiment when he told reporters after the second of two closed-door meetings that "everything isn't going quite as we had hoped," the two concerns in particular having to do with the upcoming supplemental budget request and the growing list of U.S. military casualties in Iraq.

Both Wolfowitz and Abizaid maintained that there's no need for more American troops in Iraq but there is a need for foreign troops. "We very much would welcome the inclusion of international forces," Abizaid said, "and we have long said for quite some time that we would welcome that." Wolfowitz claimed that the bombing of the UN headquarters in Baghdad "did have the effect, I think, of energizing the international community," and the result was that UN Secretary General Kofi Annan came forward with an idea that "they understand a multinational force would have to have unity of command, would have to be under U.S. command, that really solved our principal concerns on the military side and we have embraced that quite eagerly."

Cheney Violated Law in Lying to Congress About GAO Probe

Vice President Dick Cheney lied to Congress about the GAO's investigation of his Energy Task Force, in violation of the Federal False Statements statute, writes John W. Dean, the former Watergate figure who is now a banker and a legal columnist.

Dean notes, in a Aug. 29 column for *Findlaw.com*, that the GAO (an arm of Congress) asked Cheney for documents concerning Task Force expenditures, Cheney stonewalled, refusing to hand over any documents. On Aug. 2, 2001, Cheney sent a letter to Congress, demanding that Congress get the Comptroller General off his back, and he stated that his staff had already provided responsive documents to the Comptroller General concerning Task Force costs.

But the GAO report shows that this statement was a lie. According to the report, Cheney's office had only provided 77 pages, which the GAO described as useless. A July 18, 2001 letter from the Comptroller said the GAO was continuing "to request all records responsive to our request."

Dean writes: "Cheney's claim to have produced responsive documents was a false statement, and all evidence suggests, an intentional one. That means it is a criminal offense—a false statement to Congress." Dean adds that the GAO report also "provided evidence of what the motive for the crime was"—which is that Cheney had met with big energy interests, and had given them a major role in setting the Administration's energy policy.

Over 100 Death Sentences Voided

The Ninth Circuit U.S. Court of Appeals, based in San Francisco, on Sept. 2 overturned the death sentences of 167 Death Row inmates in five Western states. The court based its ruling on a July 2002 U.S. Supreme Court decision which said that only juries, not judges, can decide on factual matters to determine whether a defendant should get life imprisonment or the death penalty. The Supreme Court had said, citing the Sixth Amendment's guarantee of trial by jury, that any factual issue that might result in an increased penalty must be decided by a jury, not by a judge in a separate sentencing proceeding which is subject to a lesser standard of proof. Since other circuits have said that the Supreme Court's ruling should not apply retroactively, the Ninth Circuit's ruling will be appealed to Supreme Court.

White House Withdraws Estrada Nomination

Each side in the partisan dispute in the Senate over judicial nominations managed to paint Miguel Estrada, President Bush's nominee to the D.C. Court of Appeals, as the victim of the other. Estrada was originally first nominated by Bush in April 2001, and had been the subject of a Democrats' filibuster since last January. Senator Charles Schumer (D-NY), speaking shortly after the White House withdrew the nomination on Sept. 4, declared that Estrada "is an unfortunate victim of a White House policy of not cooperating with the Senate and stonewalling in the appointment of judges." On the other side, Senate Majority Leader Bill Frist (R-Tenn) said, a few hours later, "Miguel Estrada has been denied the opportunity to be considered by this body by a single up-or-down vote, whereby individual colleagues could vote either for or against a brilliant, a qualified nominee, all because of the obstruction of a few."

Bush's response to the filibuster of Estrada and two nominees from Texas has been to nominate, without consultation with the Democrats, two more controversial individuals to the same D.C. Court of Appeals. The Democrats have vowed not to be, as they say, intimidated. Their determination to stop a few of Bush's judicial nominees is a reflection of their decision, in early 2001, not to filibuster the nomination of John Ashcroft as attorney general. Ashcroft has since proven to be a direct threat to Constitutional liberties, just as Lyndon LaRouche had warned at the time of his nomination.

Pollard Seeks Release From Life Sentence for Espionage

On Sept. 2, convicted Israeli spy Jonathan Jay Pollard appeared in Federal court in Washington, D.C. for a sentence-reduction-related hearing. Presiding Judge Thomas Hogan ordered that Pollard be moved from his prison in North Carolina, to appear in court on the appeal for the first time, but Hogan did not explain his decision. In 1985, Pollard was arrested by the FBI while trying to seek asylum in the Israeli embassy in Washington. Pollard, who worked as a civilian analyst for the U.S. Navy, and his wife at the time, Anne Henderson Pollard, had spied for Israel for years, in a network run by "Dirty Rafi" Eytan, Sharon's terrorist-mastermind and espionage chief. The Pollards had also sold classified documents to China. Israel never cooperated with the U.S. in the investigation, and Pollard's Israeli handlers and paymasters were whisked off to Israel, where U.S. officials have never been allowed to question them.

EIR's Special Report from 1986, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia," revealed that highly sensitive information that Pollard got from the U.S., was then passed by the Israelis to the Soviet Union. The nature of documents obtained by Pollard, who had security clearance beyond what would be expected for a job at his level, indicated that he had assistance from others inside the U.S. government, who fed him the document numbers to obtain. As *EIR* reported, senior U.S. intelligence officials believed that there was not simply a single "mole" aiding Pollard, but an "entire molehill," dubbed "The X Committee." In the 1980s, *EIR* published a list of the suspected members of that "X Committee" including Richard Perle, Paul Wolfowitz, Douglas Feith, Frank Gaffney (of the Center for Security Policy), and Michael Ledeen, and other top operatives of the neo-conservative inner circle.

Now, with these neo-cons in power in Washington, under Vice President Dick Cheney, a new move is afoot to free Pollard. The Sept. 2 appeal hearing for Pollard is part of a campaign by Sharon personally to get him out. On Sept. 2, the Israeli newspaper *Ha'aretz* reported that Sharon's spokesman, Ra'anan Gissin, said, "We are using all our efforts to get him released." Sharon carried with him into the July 30 meeting with President Bush a petition for Pollard's freedom signed by 112 members of the Israeli Knesset (Parliament). However, the Sharon/Bush meeting was so unfriendly that Sharon did not present Bush with the request. Now, Pollard's attorneys, Jacques Semmelman and Eliot Lauer, are seeking to have his sentence of life imprisonment with no parole, reduced to time served.

The attorneys argue a "big lie"—that Pollard's spying did not harm the U.S., because he was "only" taking U.S. information about terrorist links of countries like Syria and Iran, out of concern for Israel's security. They also want the release of a 40-page classified document prepared by the office of then-Secretary of Defense Caspar Weinberger, concerning the damage that Pollard's spying did to U.S. national security. The lawyers say the Weinberger document was government "misinformation." High-level military figures have complained about Pollard's espionage, and opposed his release. CIA Director George Tenet has reportedly said he would resign if Pollard is let out of prison.

Ibero-American News Digest

Left-Synarchist Magazine in Brazil Trots Out Dennis King To Attack LaRouche

The August 2003 issue of *A New Democracy*, a monthly magazine describing itself as the voice of the class struggle in Brazil, sports a front-page article attacking Lyndon LaRouche as a fascist, under the title "Another CIA Group Infiltrates Brazil." The ostensible reason for the article, is that "the LaRouchist scheme ... today dominates a good part of the intellectual leaders of the national nuclear sector." To back up this (true) statement, however, *New Democracy* quotes from the article, "The LaRouche Organization and the Brazilian Nuclear Sector," which is hardly "new news," as it was written some time ago by long-time Brazilian "Get LaRouche" operative Mario Sergio Paranhos de Lima Porto. The publicity given in 2001 (by the Nuclear Energy Association of Brazil and in the Brazilian Senate), to *EIR's* book exposing the British Crown's Worldwide Fund for Nature is among the proofs of LaRouche's influence in Brazil cited by *A New Democracy*, as is maverick politician and now Congressman Dr. Eneas Carneiro's support for Lyndon LaRouche.

And who is the source for the oh-so-leftist *A New Democracy's* screeching that the influence of "fascist CIA agent" LaRouche must be taken seriously in Brazil? None other than the favorite pothead scribbler of the U.S. neo-conservative war-mongers, the Smith Richardson Foundation's Dennis King, and his 1989 book, *Lyndon LaRouche and the New American Fascism*.

No one serious believes the crazy, lying inventions of Dennis King, but *A New Democracy's* decision to run a major attack on LaRouche, using King's lies, identifies the dirty U.S. connections which are behind King, as the source of this would-be slander. The U.S. intelligence networks behind King et al., would seem to be running amok in Brazil right now.

Israeli Arms Dealers Caught Arming Narco-Militias in Colombia, Laundering Money for al-Qaeda

The Organization of American States (OAS) issued a report in January of this year, detailing an Israeli gun-running scheme to the paramilitaries in Colombia, linked to the cocaine trade. The same Israeli ring, based in Guatemala, was also involved in diamond deals with al-Qaeda in Africa.

The whole sordid affair was scarcely noted until the *Daily Star* of Beirut ran an exposé on Aug. 15, after a Guatemalan court issued arrest warrants on Aug. 8 against three Israelis—Shimon Yelinek, Ori Zoller, and Uzi Kissilevich—accusing them of using phony Panama end-user certificates to ship enough weapons to the United Self-Defense Forces of Colombia (AUC) to arm six battalions. The *Daily Star* noted, "An exhaustive report on the scandal ... by the General Secretariat of the OAS ... links the Israeli arms dealers with Lebanese arms brokers in West Africa allegedly involved in guns-for-diamonds deals that helped fund Osama bin Laden's al-Qaeda network." The links to al-Qaeda ran through Yelinek, who had dealings with Samih Osailly, a Lebanese arms dealer, arrested in Belgium in 2001, who was involved in gun-for-diamond deals with the Sierra Leone Revolutionary United Front (RUF) faction. Osailly is under investigation, as well, for diamond deals with al-Qaeda, via Fazul Abdullah Mohammed, a Kenyan linked to the 1998 Africa embassy bombings.

The Guatemalan arrest order came within days of the arrests in New York City of a ring of weapons smugglers, who were caught in an FBI sting when they tried to sell a Russian surface-to-air missile to an undercover operative. Among the men named in the Newark, N.J. indictment was a Brooklyn-based gem dealer, Yehuda Abraham, an Afghan Jew said by sources to be linked to Russian Mafiya gun traffickers, including Victor Bout.

Rocket Explosion a Blow to Brazil's Space Program

Brazil's efforts to develop an indigenous rocket launch capability hit a new setback on Aug. 22, when one of the four engines on the Brazilian-developed VLS rocket being readied for an upcoming launch, ignited unexpectedly. The resulting explosion and fire was so intense that it totally destroyed the rocket, the two research satellites which were to be its payload, and the launch pad. Brazil lost a fifth of its space program team, as well, in the fire: Eleven of the country's most qualified space engineers, and 10 technicians, were killed. Reconstituting a team of that quality will take three to four years, the director of Brazil's Aerospace Technical Center, Brig. Tiago Ribeiro, told *Istoe* magazine (Sept. 3 issue).

The cause of the ignition of the rocket engine, as the VLS sat on its launch pad at Brazil's Alcantara Launch Center three days before its scheduled Aug. 25 lift-off, is still under investigation. All final pre-launch tests had just been concluded, without a single problem being detected.

The president of the Brazilian Space Agency (AEB), Luiz Bevilacqua, immediately pointed to budget cutbacks as one possible cause. The accident could have been avoided, if the Brazilian government had made greater investments in the space program over the last 15 years, he said. The space program must be treated as a priority. "Space technology is vital for Brazil. Either we master this technology ... or we are going to continue to depend on the good will of other countries to obtain data from space, or pay a fortune to those countries which have satellites in orbit." AEB's budget for this year—which only a small percentage has been disbursed—is 35 million reals (around US\$12 million), when what is needed is R\$102 million, according to Bevilacqua.

Brazil has remained committed to developing an indigenous launch capability, despite years of intense international pressure to shut it down from the United States and other "advanced" nations dominated by the evil utopian nuts for the past two decades. This story is told in the cover story of the spring 2002 issue of LaRouche's *21st Century Science & Technology* magazine, on "Boosting Ibero-America into Space."

Two previous attempts to launch the VLS failed, in 1997 and 1999, but the Aug. 22 explosion caused the first deaths in

Brazil's effort to send a rocket into space.

The program will continue, an emotional President Lula da Silva emphasized at the ceremony on Aug. 26 honoring those killed in the explosion. Continuing their work "is the way to pay homage to them," he said. We will continue the mission, "so as to keep alive their memory."

Brazilian Air Force Investigates Possible Sabotage as Cause of VLS Explosion

Officially, the Brazilian government has said that the possibility of sabotage is remote, but according to the latest issue of one of Brazil's leading weeklies, *Istoe*, among Air Force officers, sabotage is considered as one of the most probable causes of the sudden, unexplained ignition of one of the VLS's four rockets as it sat on the launch pad on Aug. 22.

Military officers investigating the explosion were startled to find that there were a surprising number of foreigners, many of them Americans, checked into the hotels of Sao Luis, the city where the Alcantara space center is located, at the time of the explosion. At least eight of those foreigners are now under investigation.

The most plausible hypothesis, should sabotage have been the cause, say *Istoe's* sources, is the application of a foreign agent to the rocket, such as a microwave ray or electromagnetic waves. "An electromagnetic wave could be fired from a small apparatus, or even from space, from some satellite," suggests scientist Edison Bittencourt, a professor at Brazil's Aerospace Technical Center.

Russian specialists arrived in Brazil on Sept. 4, to help Brazil in its investigation of the explosion.

South American Infrastructure Requires Government Credit

Brazil's President Lula da Silva continued his South American "integration" diplomacy, with a visit to Peru on Aug. 24-25, followed by a visit to Venezuela. In his first eight months of office, the Brazilian President has met more South American heads of state, and signed more proposals for vital infrastructure projects and trade cooperation with Brazil's neighbors, than any of his predecessors, and this trip was no different.

Lula brought seven Cabinet ministers with him to Peru. A framework free-trade accord was signed between Peru and Mercosur, a step towards Peru gaining the status of associate member of the Common Market of the South (Mercosur) which Bolivia and Chile already enjoy. Also discussed, was how to complete at least two of the cross-border Peru-Brazilian transport routes identified in the ambitious South American Regional Integration Initiative (IIRSA) for the physical integration of the South American continent.

Brazilian Foreign Minister Celso Amorim said the accord "opens a path to the real integration of South America." Peruvian Foreign Minister Allan Wagner called the accord "the most important event in the last 30 years of Peruvian foreign policy," ensuring Brazil and Peru would henceforth support each other, rather than always looking in opposite directions.

Despite the enthusiastic statements, however, President Lula maintains his delusion that private investors will put up the monies to finance the infrastructure projects, which are properly the job of governments to build. Should the infrastructure projects depend solely on public monies, Lula told the IVth Brazil-Peru Business Forum in Lima, during his visit, they would probably remain on paper forever. "We discovered that there is no [public] money for these projects, and we have tasks of even greater priority in social areas."

Zacatecas, a Stunning Example of the Dislocation Wrought by NAFTA

Half of the population of the Mexican state of Zacatecas now lives in the United States, according to the Governor of the state, Ricardo Monreal. The majority of the immigrants left because they could find no work at home. Today, they send back \$2 million a day to Zacatecas, more than the funding the state receives from the federal government.

Zacatecas is one of the six Mexican states located in the Great American Desert whose economy would be transformed from a wasteland into a powerhouse, able to provide good quality jobs to its current population and more, should U.S. Presidential candidate Lyndon LaRouche's proposal to green this desert on both side of the borders be implemented (it was outlined in the May 9, 2003 *EIR*).

On top of this monstrous dislocation of human beings which the murderous policy of free trade has brought about, a potentially dangerous political instrument against Mexican sovereignty is now being constructed.

Governor Monreal has modified the state's Constitution, to allow Mexicans living in the U.S., including American-born children of those Mexicans who may never have even lived in Mexico, to run for local office in their once-home state. He projects that up to 30% of the state's mayoral candidates in next year's election could be candidates working in the United States.

There are even bigger plans afoot, raising the question: Are the U.S. Republican Party and Mexico's Vicente Fox government cooking up a NAFTA government? The *Washington Post*, in covering this story on Aug. 26, featured as an advocate for the Monreal policy Carlos Olamendi, a California businessman influential in the Mexican migrant community in the U.S.—who is a Republican working on the Schwarzenegger campaign. Olamendi, who was among a group of Mexican-Americans who met with Fox's Interior Minister Santiago Creel in mid-August to discuss migrant issues, told the *Post* that because Mexicans abroad "keep the Mexican economy afloat," it is only a matter of fairness that they should determine its political direction, too.

Fraudulent Report by 'Truth and Reconciliation Commission' Sets Peru Up for New War

Peru's so-called "Truth and Reconciliation Commission" (CVR), set up at the beginning of the administration of Alejandro Toledo purportedly to investigate the terrorist violence which tore Peru apart for 20 years, beginning in 1980, issued its final report on Aug. 28. Generously financed, to the tune of \$13 million, by such foreign NGOs as George Soros's Open Society, the MacArthur Foundation, various UN agencies, as well as the U.S. State Department through AID, the report is a gross cover-up of the evil Synarchist project for which Peru was a test-tube case. While it is forced to admit that the savage Sendero Luminoso (Shining Path) terrorists were the "immediate and fundamental cause" of the violence unleashed beginning in the early 1980s, attributing to Sendero blame for 54% of the 69,000 deaths the report claims took place over 20 years, the report hastens to add that the "institutions of the state," (the Armed Forces and police) were responsible for 44% of deaths, and therefore as guilty as Sendero.

The Truth Commission, whose members toured the U.S. earlier this year, thanks to Soros's Open Society, has never been anything but an apologist for the narcoterrorist slaughter in Peru, and a vehicle to facilitate the revival of Sendero, promoting now-"repentant" terrorist leaders who say they want to return to society and form political parties. The report's special animus for security forces is undisguised, claiming that the military and the police engaged in "systematic or generalized practice of human rights violations," and displayed "authoritarian" tendencies. Not surprisingly, what the CVR report chooses to emphasize about former President Alberto Fujimori, is not his successful war against Sendero, but the "criminal responsibility" it claims he and his intelligence advisers bear, for "murders, forced disappearances, and massacres perpetrated by the so-called 'Colina' death squad."

Nowhere in the nine-volume report, which took two years to produce and includes 171 conclusions, is there even any

mention of Sendero Luminoso as a "terrorist" organization! The report's conclusions, including the 69,000 figure, have provoked astonishment, and protest, by sectors of Congress, political leaders, media, and business leaders, among others. However, Soros's Human Rights Watch, the Argentine Mothers of Plaza de Mayo, and Jesuit Gustavo Gutierrez, founder of Liberation Theology, warmly praised the report's findings.

Chavez Threatens To Bring Out the Guns, as Recall Referendum Moves Forward

The newly chosen Venezuelan electoral council, appointed by the Constitutional Committee of the country's Supreme Court, is in the process of examining the text of the recall referendum petition which was submitted, along with 2,700 signatures, last February, at the end of the national civic strike against the Hugo Chavez government. The text is being challenged by the Chavez government, because the signers call directly for the referendum, instead of appealing to the Electoral Council, as the proper legal entity to convoke the referendum.

The opposition insists the text is in "the spirit of the law," but the Chavistas are fighting tooth and claw against anything that might allow the recall referendum to proceed.

The new five-person electoral council, installed along with 10 alternates on Aug. 26, includes two for Chavez, two for the opposition, and a supposedly neutral fifth man who is said to be linked to the head of the Supreme Court Ivan Rincon, whose power Chavez unwisely threatened in the past. It is, in fact, rumored that the Electoral Council will rule this week in favor of the referendum, which will then give it 30 days to examine the signatures for legitimacy, and to set a date for the referendum.

Both the Carter Center and the OAS rushed to send their congratulations to the new Electoral Council, and are offering money and assistance in carrying out the referendum, prompting an enraged Chavez to warn that he will "not accept an imposed referendum."

Indeed, Chavez has been appearing at military and Armed Forces reserves events around the country, outfitted in his Lt. Colonel's camouflage uniform, warning that the "oligarchy" is still threatening his revolution, and calling on the Armed Forces to choose whether to side "against the representatives of the oligarchy, or against the representatives of the people." One month ago, in an assembly of his political movement, Chavez repeated the same threat from his speech last year at the World Social Forum event in Porto Alegre, Brazil, that if the oligarchy threatens his revolution, "the machine guns will sound."

Chavez is readying his Jacobin hordes for just such a possibility, organizing the First World Meeting of Indigenist-Peasant Peoples and Movements, to be held in Venezuela on Oct. 12-13. Representative of the characters he has invited is Evo Morales, the Jacobin head of the coca-farmers of Bolivia who came close to seizing the Presidency of that country earlier this year.

Western European News Digest

Helga Zepp LaRouche Addresses World Public Forum in Rhodes

This week at a conference held in Rhodes, in the Aegean Sea, Helga Zepp LaRouche joined hundreds of other world leaders, and spoke at the World Public Forum "Dialogue of Civilizations"—a three-day conference attended by some 300 people.

According to the website of World Public Forum, the sponsoring organization, www.wpfdc.com:

"The initiative of the Forum was approved by the Presidents of Russia, Lithuania, Iran, Uzbekistan, and supreme officials of India, Greece, Russian Orthodox Church, the Universal Patriarchy, representatives of UNESCO, the PACE and a number of influential international, public, religious and state organizations, world business elites."

In one of the plenary sessions, Mrs. Zepp LaRouche spoke on "A German Classical Contribution to a New Humane World Order, the Concept of the Beautiful Soul of Friedrich Schiller." Her speech will appear in an upcoming issue of *EIW*.

Chirac and Schroeder Say U.S. Draft Resolution on Iraq "Falls Far Short"

At the end of the first round of their consultations in Dresden Sept. 4, German Chancellor Gerhard Schroeder and French President Jacques Chirac said that they were ready to look into the text of what the American side would present to the UN Security Council, but from what they had seen so far, in Schroeder's words, "to us [it] seems rather far away from that which we consider the priority, namely, the transfer of government into the hands of the Iraqis." Schroeder added that irrespective of whatever new resolution the UN Security Council passes, Germany would not send troops to Iraq, definitely.

Chirac said that "we are still very far away from the text of a resolution which we can support wholeheartedly." In a separate statement from Moscow, Foreign Ministry spokesman Alexander Yakovenko said as well that "still, a lot of work has to be done on a new resolution," especially on the question of how to "have the speediest transfer of power to the Iraqi people," and of seeing an "orderly elected, internationally recognized civilian government in place."

French Media Highlights Chirac/Schroeder Agreement

Following their Dresden bilateral summit, France and Germany are flaunting their renewed alliance. *Le Figaro* reports on German Chancellor Schroeder's statement at the press conference: "We haven't talked about bilateral problems because there simply are none."

Le Monde and *Liberation* however, play up, *negatively*, the Franco-German announcement about a "new growth initiative" aimed at reinforcing economic growth and enhancing the Italian Tremonti Plan, with 19 new projects, which include a list of things such as a Maglev between Munich and its airport, and a new particle accelerator. According to *Liberation*, "The German Chancellor and the French President want this program to be financed by the European Investment Bank."

Liberation, in an article titled "Paris and Berlin, An Instability Pact," snarls against both capitals, stating that "rather than suffering separately the furies of Brussels (because of their deficits, which go far beyond the Maastricht criteria), Paris and Berlin have instead decided to create a common front." Germany just announced that its 2003 deficit will reach 3.8%, and according to German Finance Minister Hans Eichel, it will be "difficult" for Germany to meet the Pact's constraints in 2004. France just announced a 4% public deficit for this year, and French Prime Minister Jean-Pierre Raffarin just announced further tax decreases of 3%, which run completely counter to the orthodoxy of the Pact.

Iraq Is Ten Times More Dangerous Than Yugoslav Resistance

"The situation facing the Americans in Iraq is 10 times more dangerous than what the Nazis faced with the Yugoslav resistance during World War Two," insisted a leading strategist in continental Europe, himself from the Balkans, during a discussion with *EIR* on Sept. 2.

This source said: "I have been asked several times, during the past days, what is the comparison of the Iraqi resistance,

now, to the Yugoslav resistance, then. The basic difference, is that the Yugoslav resistance was in the forest and mountains. True enough, it required the Germans to send in 20 divisions. But, in the end, they were able to maintain and protect their lines of communication, East-West and North-South. With Iraq, by contrast, the resistance is from the *urban guerrilla*. That presents a danger 10 times more dangerous than the Yugoslav resistance of 1941-45. The situation for the Americans, in reality, is worse."

He said: "To stress the point: Look at what is now happening in Kosovo, which is 10,000 square kilometers, and has 30,000 NATO troops present. Although this is not reported by the media, which doesn't give a damn, the reality is that, in Kosovo, there is killing left and right, and destruction all the time, right under the noses of the NATO forces. Iraq, remember, is 500,000 square kilometers, *50 times larger* than Kosovo, with only five times more troops. Under these conditions, there is not the slightest chance to maintain peace, order, and security. The sabotage and killing will go on. And this is not 'Saddam' behind the resistance, this is a resistance against the reality of occupation."

This strategist asserted that the Americans now have only two choices: Send in 200,000 more troops, or share the responsibility for what is going on in Iraq, by going to the United Nations, and working out a viable UN resolution, that would allow France, Germany, Russia, Pakistan, and Egypt, among others, to deploy adequate troops into Iraq.

Iraq on the Road Towards 'Lebanization'

Speaking in Paris to *EIR* on Sept. 5, a well-placed Franco-Iraqi source evaluated that no Iraqi group had any interest in carrying out either the bombing that killed Shi'ite leader Mohammed Bakr Al Hakim, or the bombing against the UN headquarters in Baghdad. Such operations were very large and needed, in this person's view, an infrastructure which goes beyond mere revenge groups of this or that grievance within Iraq.

The attacks on the UN and on Al Hakim were aimed, he pointed out, at targets which had the potential to establish some stability and order in Iraq. If the strategy were to create maximum chaos in order to bring in a potential dictator, then, the concern is that one of the next targets in that strategy could be Talabani, who ensures control over a large part of the Iraqi Kurdistan.

While the source has been favorable to a UN leading role in Iraq to replace the Americans, today he fears it's too late: The situation in Iraq has already reached a great degree of "Lebanization," and it will be extremely difficult to impose a central authority upon a country already on the verge of civil war.

Evidence Given to Hutton Inquiry Shattering Blair Regime

This week's InDepth features *EIR's* Mark Burdman on the bombshell evidence presented to the Hutton Inquiry, which could bring down British Prime Minister Tony Blair.

Burdman writes: "British Prime Minister Tony Blair has taken such a political battering, during the usually quiescent British summer, that serious observers are asking who and what can replace him? Blair has suffered a number of severe shocks. On Aug. 29, Alastair Campbell, his Downing Street 'spin doctor' and main psycho-political crutch, resigned. In the first week of September, Lord Hutton's inquiry into the July 17 death of British WMD expert Dr. David Kelly heard testimony that sent the Blair regime reeling.

"Kelly's widow Janice and daughter Rachel testified on Sept 1. Speaking via video-conference, Janice Kelly proclaimed that 'in his final days, my husband felt belittled, betrayed and let down by his superiors.' Such words most directly undermined Defence Secretary Geoff Hoon, in whose Ministry of Defence (MOD) Kelly worked; Hoon is likely the next

government member to leave office. But beyond that, her account, in the words of one leading British commentator, 'thoroughly trounced' Blair and Downing Street.

"Then, on Sept. 3, the entire basis of Blair's justification for going to war against Iraq was blown apart by two senior intelligence officials. The first was Dr. Brian Jones, originally an MOD scientist in 1973, just retired as a branch head of the Defense Intelligence Analysis Staff. Jones's department was dedicated to investigating Iraqi weapons of mass destruction (WMDs). He showed that the content of Downing Street's controversial September 2002 dossier on Iraqi WMD was dictated by political expediency, and exaggerated, in substance. Next, Jones's testimony was buttressed by a very senior MOD witness, only identified as 'Mr. A,' and who testified via video with his voice muffled. He was described as Britain's foremost authority on chemical warfare, working in the MOD's Counter-Proliferation Arms Control Department. Mr. A charged that 'spin merchants,' rather than intelligence experts, determined how the subject of Iraqi WMD was conveyed to the public, and that intelligence claims cited in that dossier, were fundamentally mistaken." (See [InDepth](#) for full story.)

London Declares War on European Independent Defense Initiative

On April 29, in a bold move, the governments of France, Germany, Belgium, and Luxembourg decided to create an independent (of NATO) center of command for the European Defense Initiative, with the future headquarters to be located in Brussels.

The beleaguered British Prime Minister, Tony Blair, who had already expressed his opposition to this initiative, has now decided to launch an offensive to kill it. A memorandum entitled "U.K. food for thought" sent out to all EU members opposes the creation of those independent headquarters, and proposes instead the creation of a European subdivision that would be located at the SHAPE, the NATO command in Mons, Belgium.

"Taking into account the costs and the risks of duplication involved in the creation of a permanent structure, Great Britain will not approve the idea of a general quarter separated from NATO to lead autonomous operations launched by the [European] Union," states the document. This move is part of an overall British offensive against whole elements of the European convention (or "constitution") elaborated by former French President Valéry Giscard d'Estaing, which France and Germany are pushing all the EU countries to rapidly adopt. The purpose of this convention is to create the conditions of entrance to the EU to be met by a whole list of a new members who will be admitted in coming years.

Among those provisions is the idea that limited groups of countries can come together to work more rapidly in some priority areas that do not necessarily concern all EU members. The document makes official the possibility of having "reinforced cooperation" on matters of defense, a clause necessary to get the new general command in Brussels under way.

Paris and Germany Working on Joint Program To Build Classic Submarines

France and Germany are currently trying to take full control of the German shipyards of Howaldtswerke Deutsche Werft (HDW), producing classic, non-nuclear submarines. The reason is that Equity Partner, the American investment fund, has announced it will sell off its interests in this venture. France and Germany are trying to keep out the American Northrup Grumann group, which has shown interest in buying Equity's part, in a bid to have Germany and France, which are number 1 and 2 in building classic submarines in the world, keep total control of this market. Noelle Lenoire, French Undersecretary for European Matters, and German Defense Minister Peter Struck have both expressed their interest in a joint Franco-German operation at a point when both countries are looking for new initiatives to reinforce their partnership.

Russia and Central Asia News Digest

Russia, France, Germany in Consultations on Iraq

Russia, France, and Germany, leaders of efforts earlier this year to block the Iraq war, are in close consultations about a new UN mandate for Iraq. With the 2003 UN General Assembly session drawing near—it opens Sept. 16—Russian President Vladimir Putin conferred by phone with French President Jacques Chirac and German Chancellor Gerhard Schroeder the weekend of Aug. 30, in addition to meeting in Sardinia with Italian Prime Silvio Berlusconi; he also spoke to President Bush, in a joint phone call with Berlusconi. The Foreign Ministers of Russia, France, and Germany were also in contact by phone.

Schroeder reiterated through a spokesman on Sept. 1, that Germany's position against sending its troops to Iraq has not changed, and that he is working with Chirac and Putin on a UN resolution, to define a strong UN role for a real reconstruction mandate for Iraq. Chirac, Schroeder, and their Foreign Ministers met in Dresden on Sept. 4 (see Europe News Digest).

Russia's official view was presented to the UN Security Council by Ambassador Sergei Lavrov at the end of August. He called for "a comprehensive approach, including further enhancement of the role of the United Nations ... for direct participation in the political process, in the carrying out of constitutional reforms, in the organization of elections and in the formation of an internationally recognized government on the basis of a clearly defined plan for restoring the sovereignty of Iraq." This should occur "within a specific, maximum time," Lavrov said, adding that only with such an approach, would it "be realistic to consider also the status and parameters of an international military presence." That mandate, if given by the United Nations, "should be subordinated to the goal of providing secure and favorable conditions for the Iraqi people to realize their right to determine their future in an independent way." Russian assistance in bringing about such a perspective for Iraq was what the international community could expect, whereas other, "unrealistic approaches" would not find Russia's backing.

Putin Visits Italian Prime Minister

Russian President Putin began a weekend visit to Italian Premier Berlusconi on Aug. 29 at Berlusconi's private villa in Sardinia. For the occasion, a Russian naval squadron composed of a Moskva-class missile-launcher and two other warships arrived Aug. 27 in Sardinian waters. The location was right in front of the U.S. nuclear submarine base at Maddalena island; the Russian squadron docked where the U.S. repair ship Emory Land is usually moored. Exchange visits between Russian and Italian officers were arranged. Such a naval deployment is highly unusual, leading some Italian commentators to say that Putin wanted to show that Russian military forces are alive and well.

Berlusconi and Putin discussed bilateral trade and energy issues, as well as international issues, in preparation for the UN General Assembly and the EU-Russian summit, scheduled for November in Italy. Italian papers reported that Rosario Alessandrello, head of the Italy-Russia Chamber of Commerce, wants the EU and Russia to denominate their trade in euros (instead of dollars).

Breakthrough in Russian-Saudi Diplomacy

A five-year cooperation agreement was signed between Russia and Saudi Arabia Sept. 2, during Saudi Crown Prince Abdullah bin Abdelaziz's visit to Russia. Energy Ministers Igor Yusufov and Al Naimi signed the accord, covering the oil and gas sectors, at a Moscow ceremony attended by the Crown Prince and Russian President Putin—their presence underscoring that both sides view the agreement as "strategic." It was the first-ever visit of such a high-ranking Saudi leader to Russia.

Under the agreement, a joint Saudi-Russian expert working group will explore options for joint ventures in oil and gas exploration and production, and joint research projects on advanced technologies for oil prospecting, output, refining, storage, and transport. Conferences, seminars, and exhibitions will be organized, and the agreement includes consultations on oil prices and marketing.

Four other agreements were signed during the visit: 1) a memorandum on cooperation between the Russian Academy of Sciences and the Saudi Arabian Center for Science and Technology; 2) a memorandum on cooperation between the Russian Chamber of Commerce and Industry and the Council of Saudi Chambers of Commerce and Industry; 3) a memorandum on sports and youth exchange; 4) the formation of a joint expert group for the fight against terrorism.

Furthermore, an investment cooperation agreement was signed among Saudi Oger, Russia's Sroytransgas and Aramco, on joint projects in the exploration of oil and gas fields, production and marketing of oil and gas. Saudi Oger, a leading Saudi firm in the railway sector, is also interested in Russian railway technology, especially for some lines to be constructed in the northern Saudi mineral fields in which Saudi Oger is engaged. The role of Aramco in that is of special interest here, as its business relations with the Western seven oil sisters is at an absolute low, because Saudi Energy Minister Ali al-Naimi (who negotiated the strategic deal with the Russians) has let the Westerners know that Aramco and other Saudi companies will be able to do the job of exploration and production alone, if the pricing and other conditions set by the oil sisters don't correspond to Saudi national interests.

A Vision of Russia as East-West Bridge

Russia could become the East-West transport bridge, wrote Prof. Yuri Scherbanin, vice-president of the Eurasian Transport Union (EATU), in a Sept. 1 RIA *Novosti* commentary, occasioned by the Third International European Transport Conference. He noted that in the three years since transport specialists of Europe and Asia last met, Russia has increased its international and domestic transport capability. The goal of the upcoming meeting, which opens Sept. 11 in St. Petersburg, is to "tie up Russia's geopolitical interests with those of neighboring states, both East and West, and to integrate more intimately into international transport projects, scheduled by the EEC and UN ESCAP and other international organizations. St. Petersburg will probably bring up the issue of a future common Eurasian transport zone."

Transport costs in Russia are two to three times those in Europe, Shcherbanin wrote, due to vast distances, poor logistics, and technological backwardness. Recent improvements, however, include completion of the electrification of the Transsiberian Railroad, which is now performing better than before, thanks to fiber optic communications. In the Asia-Pacific, transport integration is still behind Europe, but is improving. "International transport corridors (ITCs) are coming into operation, ground transport is getting renewed facilities, and new ports, bridges and tunnels are being built."

He listed international Eurasian transport projects:

*The International Working Group for the Lianyungang, China to Kazakhstan-Russia-Belarus-Poland (the Second Eurasian Continental Bridge), set up in 1999.

*A working three-way transit agreement among Russia, China and Mongolia.

*The Baikal-Amur Mainline (BAM) in Russia has to be revived.

*The North-South ITC project, begun by Russia, India and Iran, and joined by Kazakhstan and Belarus.

Russian-European Aerospace Cooperation on the Rise

The number of European-Russian aerospace cooperation projects is increasing, Russia wire agencies reported Aug. 25. At the MAKS 2003 international aerospace exhibition in Moscow, officials of the European Aerospace and Defense Agency (EADS) said cooperation projects (mostly Airbus-related) are under way with Russian aircraft producers. Among them is the A400M military version of the Airbus, details of which have not yet been made public.

Apart from deals involving EADS, special emphasis is given to the German-Russian contract, signed at MAKS 2003, for five German military spy satellites to be launched in 2005-2007, from the Russian Space Forces' northern site at Plesetsk. The Germans will use these satellites to operate their SAR-Lupe camera, a new kind of radiometric surveillance system. The launches from Plesetsk include the use of the Rokot launch vehicle, a joint project of EADS and Russia's Khrunichev rocket-developing agency.

Science Magazine Features Russian Nuclear-Powered Rocket Program

In the context of reporting the Russian announcement of preliminary plans for a manned mission to Mars, with a 2018 tentative launch date, *Science* magazine of Aug. 15, 2003 reprised the Soviet-era effort to develop a nuclear-powered rocket engine called the IRGIT. The report, leading the News section of the weekly organ of the American Association for the Advancement of Science, may be related to recent statements by President Putin and others, regarding Russian nuclear weapons development. (See InDepth this week, "Russia Reacts to Cheney Nuke-War Policy Threat.")

The unveiling of the manned Mars program, at a June 9-11 meeting in Moscow, was treated with skepticism: "Gorshkov [of the Moscow aerospace firm, Energia] and his Russian colleagues claim that such a mission could be pulled off for anywhere from \$14 billion to \$20 billion. But many Western experts think that's pure fantasy." The bulk of the article, however, reviewed the secret, Soviet Cold War program to develop a nuclear rocket, which was still going strong in 1987, and evidently got much further than its U.S. counterparts, which were all shelved by the 1970s. The heart of the Russian program was an advanced nuclear reactor facility Baikal-1, which involved testing new forms of nuclear fuel such as carbides of plutonium and uranium. Although barely funded since 1992, Baikal-1 is still operational.

All space missions to date have used chemical-powered rockets, which burn most of their fuel in leaving Earth, and coast the rest of the way to their target. A more energy-dense source, such as nuclear fission, could allow a rocket to be powered the whole way to Mars and back, cutting the round trip time from two years to a few weeks. A U.S. program to develop a nuclear-powered aircraft began before the end of World War II, according to one of the veterans of this secret program by Hughes Aircraft, Dr. Robert J. Moon. This was followed by the 1950s Project Orion to build a rocket engine using pulsed nuclear explosions, killed in the 1960s (see Marsha Freeman's review in *21st Century*, Fall 2002), and Project Rover/NERVA to build a rocket-carried reactor, which was killed in 1973.

Gazprom To Join in Kra Isthmus Pipeline Project

The Russian natural gas giant, Gazprom, will participate in a Thailand pipeline project across the Kra Isthmus, Bangkok *Business Day* reported Aug. 25. The 210-km pipeline will go from Satun on the Andaman Sea to Songkhla in the Gulf of Thailand, with tank farms at either end. Like the proposed Kra Canal, the pipeline will allow faster delivery of oil from the Persian Gulf, and avoid the crowded sea lanes through the Malacca Straits. The \$450-million project is now 45% Thai, 45% Omani, and 10% Canadian.

Glazyev Election Coalition Gains Momentum

On Aug. 25, economist and politician Sergei Glazyev announced progress toward forming what he has called a "broad popular coalition in the overall national interest, with participation of many electoral groupings," to gain a dominant

influence on the Russian State Duma in December 2003 elections. Glazyev's initiative, centered on the Congress of Russian Communities movement and the Party of Russian Regions, both of which he heads, has been joined by Duma Foreign Affairs Committee Chairman Dmitri Rogozin, former Central Bank head Viktor Gerashchenko, former Commander of the Airborne Forces Gen. Georgi Shpak, Duma security Viktor Ilyukhin, and others.

Viktor Volkonsky, husband of Schiller Institute collaborator Tatyana Koryagina and an expert on the economics of energy systems, has also officially joined Glazyev's initiative. Academician Dmitri Lvov is reportedly closely involved, albeit in the background. The coalition's economic program will include some form of Lvov's proposal to drastically increase state revenues by charging special taxes to raw-materials firms for the exploitation of natural resources, and shifting to a science-driver mode of economic development.

Other supporters of the coalition include the veteran intelligence expert Nikolai Leonov, and publicist and television personality Alexander Krutov, who is closely tied to sections of the Russian Orthodox Church. On Aug. 24, 17 smaller parties and political organizations, including the Party "Regions of Russia," "The Union of Students," the "Association of Social Democrats," and also Alexander Dugin's shadowy "Eurasian Party," signed an agreement to join the coalition. At the press conference with Glazyev, Rogozin declared that 20 more Duma members from various parties would soon join the coalition. Viktor Gerashchenko said he intended to contribute to a greater competence in financial policies, drawing on his 43 years' experience in national and international banking.

Glazyev declared that "the door is still open" to the Communist Party (CPRF), the largest party in Russia. CPRF leader Gennadi Zyuganov has so far rejected Glazyev's initiative, while CPRF publications attack Glazyev for allegedly trying to "split the left" in the interest of "dark forces" in the Kremlin.

Vladimir Gusinsky Arrested In Greece

Businessman Vladimir Gusinsky, one of the first persons to be dubbed an "oligarch" after amassing a fortune during Russia's crime-ridden economic liberalization in the 1990s, was arrested in Greece the evening of Aug. 20, on an international warrant requested by Russia. Gusinsky fled Russia in 2000. When arrested, he was arriving at the Athens international airport on a flight from Tel Aviv. The charges against Gusinsky, who holds dual Israeli and Russian citizenship, include fraud amounting to \$250 million, and money-laundering. A security official at the Athens Airport told wire services, "Extradition to Russia is an option. It all rests with the prosecutor and what he will decide."

Afghan Drugs Endanger Russia

Visiting Tajikistan on Aug. 27, Russian drug control chief Viktor Cherkesov urged the international community to put combined pressure on Afghanistan to reduce opium production. On the same day, Russian border guards made record seizures of 260 kg of heroin from 10 drug smugglers, entering from Afghanistan. Cherkesov's deputy, Alexander Mikhailov, said that only 10% of such transshipments are seized. "The heroin attack from the south has become the most acute problem for us," he said. According to Russian figures, the country has 3 to 4 million drug users out of a population of 145 million, and heroin consumption grew 23-fold between 1998 and 2002. About 70% of the heroin in Russia originates in Afghanistan, which accounts for almost three-quarters of world opium production. While Moscow, St. Petersburg, and the Baltic enclave of Kaliningrad have remained the main drug hubs, many smaller cities also now have drug addicts, Mikhailov said.

Mideast News Digest

General Zinni: In Iraq, We Are Weeks Away From Chaos

In an Aug. 31 interview with *Corriere della Sera's* correspondent in Washington, Gen. Anthony Zinni (USMC-Ret.) says that the U.S. should ask for a UN mandate and involve NATO and Islamic countries. "We are on the verge of chaos. We need a new mandate of the United Nations," Zinni says. Asked whether he thinks that the crisis could get out of control in a matter of days, Zinni replies: "Maybe not in a matter of days, but of weeks, yes. We are in a rush against time. The U.S. has neither resources nor personnel enough for the security and the recovery of Iraq. We need a massive intervention of the international community.... also a real Iraqi government is urgent, with its own police and army."

Zinni says that the U.S. should ask for a UN mandate "to NATO and Islamic countries that want to participate ... it is not necessary that the troops wear UN blue helmets, we have seen it in Bosnia. But it is necessary that Americans and Europeans are flanked by Muslims, otherwise they will remain or become targets." Zinni says that the Administration must make concessions to France, Germany, and Russia, "But I believe that, even reluctantly, they are getting there, they have understood that they have no alternatives. It was indicated by Undersecretary of State Dick Armitage, a friend of mine.

"Negotiations at the UN will be long and difficult, but I am confident that an agreement will be reached, say in a couple of months." The U.S. will not renounce the military command, but "often there is a misunderstanding on this. Each country always maintains command over its troops. The U.S. indicates strategy and tactics, but if your Carabinieri, for instance, disagree, they can refuse to follow the orders." Without such a solution, Zinni sees "a civil and religious war" breaking out in Iraq.

If the UN votes a new resolution, Zinni says, the priorities in Iraq should be to "Close borders, re-establish order in the cities, reactivate services from electricity to transport, give effective power to local and central government, arm an Iraqi police and army, and relaunch the economy."

Senator McCain Eyed by Neo-Cons To Replace Bush

With President Bush under the gun because of the U.S. economic collapse (see Economic Digest), the spiralling costs of the Iraq quagmire, and the failure in Iraq to find WMD, or to stop terrorism, the neo-conservative cabal around Vice President Dick Cheney is exploring the option of defeating Bush in 2004 with a repeat of the 1912 "Bull Moose" option, where a "third party" spoiler, Teddy Roosevelt, was used to defeat the incumbent Republican President, William Howard Taft, in the Presidential election. Neo-cons, such as Robert Kagan openly say that they would prefer a Joe Lieberman/McCain ticket over mentally incompetent G.W., and they believe that this would draw the Christian fundamentalist vote, and the Israeli lobby's money in the 2004 election.

The Sept. 9-11 issue of *Weekly Standard*, flagship publication of the neo-conservative warmongers in the U.S., gave the signal: send unlimited money, soldiers, ordinance, and personnel to Iraq. If not, the Cheney Doctrine of preventive war, and redrawing the map of the Middle East, will "die" in Iraq. The article was written by William Kristol and Robert Kagan, two of the leading Straussians who run the propaganda side of Dick Cheney's imperial war policy.

Days after the Kristol-Kagan piece was released, Sen. John McCain (R-Ariz) wrote the identical analysis for the *Washington Post* Aug. 31, called "Why We Must Win." McCain, who had just returned from a trip to Iraq, chastised the Bush Administration for trying to win the peace in Iraq "on the cheap." He called for the deployment of at least one more division of American troops, for increased American civilian advisers, and for a commitment of tens of billions of dollars over the next year, to avert a total descent into chaos and what he described as the biggest American defeat since Vietnam. McCain also reiterated the Kristol-Kagan warning that under no circumstances should the UN be given a prominent role in the Iraq occupation and reconstruction.

Is Bremer Planning To Build a Private Army?

According to a well-informed intelligence source based in India, the increasingly difficult situation in Iraq may have put in motion an effort to set up private armies within Iraq. Such private armies, if set up, will be under the U.S. control of Iraq, through L. Paul Bremer. The purpose of setting up the private army will be to "get some people out of the way," which would help the Administration "to stabilize the Iraq situation." These operations are otherwise risky, using U.S. military personnel.

The International Consortium of Investigative Journalists (ICIJ) has reported that the U.S. Defense Department has entered into 3,061 contracts with 12 of the 24 U.S.-based Private Military Corporations since 1994. Subsequent investigations revealed Pentagon records value those contracts at more than \$300 billion.

Interestingly, more than 2,700 of those contracts were held by just two companies: Kellogg Brown & Root (KBR) and Booz Allen Hamilton. KBR is a subsidiary of the Halliburton Corporation, which Dick Cheney, the U.S. Vice President, headed as CEO from 1995 to 1999. In 1992, the Pentagon, then headed by Cheney, who was Defense Secretary at the time, paid KBR \$3.9 million to produce a classified report detailing how private companies could help provide logistics for American troops in potential war zones. Later in 1992, the Pentagon gave KBR an additional \$5 million to update the report.

KBR was also awarded contracts in 1995 and 1997, under the Clinton Administration, to provide logistical support in the Balkans, where the U.S. military has been enforcing the 1995 Dayton Peace accord that ended the war in former Yugoslavia. Those contracts spiraled to \$2.2 billion worth of payments over five years, according to the General Accounting Office, the investigative arm of Congress, reported the ICIJ. Also notable is that James Woolsey, the Defense Policy Board member and JINSA chickenhawk (and former CIA head), joined Booz Allen just before the onset of the Iraq war.

Official Numbers Rise on Battlefield Injuries in Iraq

The number of U.S. military injured is now more than double those injured in 1991's Desert Storm. The *Washington Post* of Sept. 2 reports that U.S. battlefield casualties in Iraq are "increasing dramatically" under continued insurgent attacks, with nearly 10 American troops per day being officially declared "wounded in action" during August. Official totals put the wounded at 1,124 since the war began in March. The total increased more than 35% in August.

Now, due to the frequency of battlefield injuries, U.S. Central Command is only issuing press releases listing injuries when the attacks kill one or more troops—so many injuries are going unreported. Fifty-five U.S. soldiers were wounded in action last week alone, pushing the number of those wounded since May 1, beyond the number wounded during "major combat operations." From March 19 to April 30, 550 U.S. troops were wounded in action in Iraq. Since May 1, the number totals 574.

Giant C-17 transport jets arrive almost nightly at Andrews Air Force Base outside Washington, with medical evacuations from Iraq. Since the war began, more than 6,000 service members have been flown back to the United States, including thousands who became physically or mentally ill.

Israel's Jabotinsky Fascists Are Also Crooks

The corruption scandal surrounding Israeli Prime Minister Ariel Sharon is now hitting Cabinet Minister Avigdor Lieberman, head of the fascist National Union Party, which calls for the "transfer" (ethnic cleansing) of all Palestinians out of Israeli and the occupied territories.

The two parallel bribery investigations, of Sharon and his sons, and now of Lieberman, converge in Austria.

In the long-running Sharon scandal, Sharon was "blessed" by the recent decision of an Austrian judge to prevent the Israeli police from getting access to Austrian financial records relevant to the Sharon case. According to the Israeli paper *Ha'aretz* Aug. 28, investigators believe that Austrian evidence could show a "circle" of money-changing whereby Sharon NEVER really paid back illegal campaign funds that he got in the 2000 Likud elections, through the Annex Co. Investigators believe that Sharon got the illegal money and then "paid it back" to avoid legal penalties—but that the money then came back to Sharon and his boys in the form of "loan" from the South African, Cyril Kern. However, the money that Kern used may have come from an Austrian who somehow received the money that Sharon "paid back."

While that is being pursued, *Ha'aretz* revealed that Israeli police are looking into the fact that the Austrian-Russian businessman Robert Nowikovsky gave Avigdor Lieberman a guarantee for a \$1-million credit line from an Israeli bank. At first this was seen as only violating election finance laws, which is not "criminal"; it now is being investigated as a possible bribe from Nowikovsky, who is based in Vienna, to "grease the wheels" for his interests in Israel. Nowikovsky is also implicated in the California money-laundering trial of former Ukrainian Prime Minister Pavlov Lazarenko.

This turn has major implications for Sharon. First, the Austrian authorities have given the Israeli police full cooperation in the Lieberman-Nowikovsky case, and this could shake loose important details in the Sharon investigation. Lieberman's angel, Nowikovsky, is one of two "businessmen" who are suspected of giving illegal money to Sharon's son Gilad. The second suspect is Austrian businessman Martin Schlaff, the owner of casinos in Jericho, Israel.

On Sept. 3, relating to these investigations, Gilad Sharon was questioned for four hours by Israeli police. Several weeks ago, Gilad refused to answer questions, but both Israeli Attorney General Elyakim Rubinstein, and Cabinet Justice Minister Tommy Lapid said that it is "not legitimate" for him to maintain silence.

Arafat To CNN: Israeli Military Actions Killed Road Map

In an interview with *CNN*, reported Sept. 2, Palestinian President Yasser Arafat said, "The Road Map is dead, but only because of Israeli military aggression in recent weeks." He also told *CNN* that the U.S. preoccupation with Iraq and the upcoming Presidential elections has gotten in the way of President George Bush's assuring the implementation of the Road Map for a Middle East peace. However, aides to Arafat and other leading PNA officials clarified that Arafat and the PNA are still committed to the Road Map—but urgent action from the Quartet is needed to stop the Israeli from their assassinations.

Israel has carried out no less than six helicopter missile attacks as targetted assassinations, killing and maiming many civilians since the Palestinian suicide bombing last on Aug. 19. The Israeli attacks continued with an IDF obliteration of an apartment building in Nablus on Sept. 5, to kill a Hamas member.

Amram Mitzna: A Palestinian State Is an Asset for Israel

Former Chairman of the Labor Party Amram Mitzna penned a commentary in *Ha'aretz* on Aug. 31, calling for an end to targetted assassinations, separation between Israel and the Palestinian territories, and the establishment of a Palestinian state.

Mitzna first denounces Israel Prime Minister Ariel Sharon's policy of targetted assassinations as a total failure that has led to a situation where "the security of Israel's citizens has deteriorated to a level that is without parallel in the country's history."

Calling for separation between Israel and the occupied territories, Mitzna evokes Ben Gurion: "The original sin of indecision can be traced to 1967. The Six-Day War was a tremendous military victory but a total political-security failure. The first person to grasp this was David Ben-Gurion ... as a leader bearing national responsibility for the security of Israel and the future of the Zionist movement, Ben-Gurion was able—in contrast to all the leaders since—to look beyond the horizon, and called on the government to leave the new territories."

But Ben Gurion was ignored until "Yitzhak Rabin decided to snap us out of this illusionary dream ... he understood ... what the government of Ariel Sharon has yet to understand: That the continued confrontation with the Palestinians and the continued Israeli control of [the occupied territories] means the liquidation of Zionism and the end of the Jewish state." He then writes, "It follows that agreement to the establishment of a Palestinian state is neither a concession nor a surrender, it is an asset. There will be no Jewish state without the existence of a Palestinian state alongside it. This has to be the goal and any government policy has to be examined in its light—including the policy of targetted assassinations, which I regret to say, is the only policy now guiding the government of Israel."

He concludes that if there is "no one to talk to" on the Palestinian side, as Sharon claims, then Israeli has to unilaterally withdraw from the territories.

Joint Chiefs Report Says War Planning Was Flawed

A classified report prepared for the Joint Chiefs of Staff last month lays the blame for setbacks in Iraq, on a flawed planning process that "limited the focus" in preparing for post-Saddam operations, reports Rowan Scarborough in the *Washington Times* Aug. 3.

The report, entitled "Operation Iraqi Freedom: Strategic Lessons Learned," a copy of which was leaked to the *Washington Times*, says that there was not enough time to put together "Phase IV," which is the reconstruction of Iraq. It says that the interagency process, such as that between the Pentagon and the State Department, "was not fully integrated prior to hostilities." The *Washington Times* article names as one of those responsible for the "flawed effort" Assistant Secretary of Defense Douglas Feith—one of the leading neo-cons, and author of the 1996 "Clean Break" war policy document against Iraq that was prepared for then Israeli Prime Minister Benjamin Netanyahu.

CHENEY GAVE THE SIGNAL. The "Lessons Learned" report includes a timeline of events, which says that President Bush signed off on the strategic war plan on Aug. 29, 2002—three days after Cheney's Veterans of Foreign Wars speech, which is when the Vice President used exaggerated and false intelligence to try to force the Iraq war through. The report states that on that date, Bush "approves Iraq goals, objectives and strategy."

KEEPING ISRAEL INFORMED. The JCS report also shows that the Bush Administration kept in close contact with Israel about its Iraq war plans. In mid-February, "key Israeli leaders" got a briefing on the war plan, and soon thereafter, the U.S. Central Command began sharing information with Tel Aviv through the European Command.

Asia News Digest

***Australian Financial Review* Warns U.S. of Failure in Iraq**

"Foreign Minister Alexander Downer has at last recognized that a new UN Security resolution is required to provide an adequate framework for dealing with the Iraq mess," the *Australian Financial Review* Sept. 1 editorial stated.

The editorial continued: "There is now a real risk of failure in Iraq by the U.S. and its partners, including Australia. What is clearly needed is a fresh approach, including a new UN mandate to give expression to a consensus international view about how to manage a chaotic aftermath to a war of liberation. Australia has a responsibility to try to ensure that common sense prevails. That means support for a significant broadening of the international involvement in Iraq under a new UN mandate. This mandate would enable countries like Russia, France, and India to become involved in peacemaking and peacekeeping. The U.S. must accept it can no longer expect to call all the shots in Iraq. U.S. domination of all the postwar processes has become a lightning rod for protest by disaffected Iraqis. Washington should welcome a sharing of the burden for cleaning up the mess."

Indonesia Demands That Hambali Be Turned Over for Trial

Indonesian Minister of Foreign Affairs Hassan Wirayuda on Sept. 4 responded to U.S. complaints that the four-year sentence against Abu Bakar Ba'asyir, accused of leading the Jemaah Islamiah terrorist network, was too lenient, by blaming the U.S. itself for refusing Indonesia access to the leading Indonesian terrorist, Hambali. Hambali, an Indonesian who was wanted for terrorism in Indonesia long before 9/11, was captured through international cooperation in Thailand, but the U.S. has spirited him off to an undisclosed location and is preventing anyone from seeing him.

"Maybe we should question the U.S. commitment in the Hambali case," Hassan said. "There was important information missing from Ba'asyir's trial, which could have been gotten from Hambali. This information would have connected Ba'asyir with the Jamaah Islamiyah (JI) terror group," the Foreign Minister said, assuming that Hambali would have been willing to testify against Ba'asyir.

Foreign Minister Wirayuda also announced that he had written to Secretary Colin Powell requesting that Hambali be turned over for to Indonesia for trial.

Russian Foreign Ministry Considered Korean Talks Useful

"The Russian party regards the just-concluded talks as useful, that allowed every party involved in the issue to better understand each other's position," a Russian Foreign Ministry statement released Aug. 29 said. It also repeated Russia's determination to do all it can for the constructive continuation of the talks, in the interest of all participants.

The head of the Russian delegation, Deputy Foreign Minister Alexander Losyukov, stated on Aug. 28, that Pyongyang is "interested in the denuclearization of the Korean peninsula and does not intend to own nuclear weapons," according to *Xinhua*. *Itar Tass* quoted Losyukov saying on new negotiations, that "There is a general understanding that we should not be delaying the negotiations, and that the next round should be held within the next two months. The sides agree that [the talks] should be held in Beijing. As far as I understand, North Korea has no objections to this," he said.

Russian Foreign Minister Igor Ivanov and U.S. Secretary of State Colin Powell discussed the matter by telephone on Aug. 29, and agreed to keep looking for a diplomatic solution to the issue.

China Calls for U.S. Clarity on Korea Talks

Chinese Vice Foreign Minister Wang Yi stated that "The American policy towards the DPRK [North Korea]—this is the main problem we are facing." Speaking at a press conference in Manila Sept. 1, Wang went on: "We want the U.S. to make clear about its position.... We hope each party, including the U.S. and DPRK, move together so we can find the final solution."

On Pyongyang's reaction, Wang said that "they may not be so satisfied [about the Beijing six-party talks] but they also want to continue the peace process. So what we are going to do is see how we can narrow the difference and how we can enlarge our common consensus, common ground." He said that the talks had been "just the beginning" of what could be a long, long" process.

In Beijing Sept. 2, Chinese Foreign Ministry spokesman Kong Quan said that the next round of talks, should try to clarify "the negative policy" of Washington to North Korea. "How the U.S. is threatening the DPRK, this needs to be further discussed in the next round of talks, especially between the U.S. and the DPRK," Kong said.

U.S. Official Briefs Press on Korea Talks

A U.S. official recently briefed press on the Korea talks. "Our presentations, from the U.S. side, were consistent with our long-standing objectives," the official said, "but I think were in many respects different in tone and in content from the presentations that were made last October in Pyongyang, and in April in the three-way talks in Beijing. We made clear that we are not seeking to strangle North Korea. We stated that North Korea unquestionably has a much better future if it turns away from nuclear weapons. We made clear that we can sincerely discuss security concerns in the context of nuclear dismantlement, and that we are willing to discuss a sequence of denuclearization measures with corresponding measures on the part of both sides."

The official went on to say that North Korea had "clearly stated a dedication to a nuclear-weapons-free Korean peninsula, and they told everyone that they do not want to have nuclear weapons," but said at certain points they used "troubling language." He refuted reports that the United States had said that there were certain things which North Korea must do "unconditionally" before progress could be made. The official said that looking back on the record of the meetings, nothing was demanded "unconditionally."

He was asked about reports that some Chinese representatives had said the U.S. position had placed "obstacles" to an agreement. The official indicated that the Chinese had assured the United States that no one had referred to the United States as an "obstacle," and that such reports were spurious.

As to how the process would unfold, the official replied, "I don't know that we know specifics on the next round of talks. I'm, as Secretary Powell is, quite optimistic that there will be some. There's some press accounts today. But the date and location has not yet been decided, although I would think Beijing would be a likely venue, and probably well before the end of the year. But I think that's something that will probably be part of a discussion of the Chinese with various parties, and certainly including the DPRK [North Korea]."

North Korea Calls the U.S. a 'Dialogue Partner'

On Sept. 2, the official North Korean KCNA news agency stated that "There is no change in our firm will to resolve the nuclear dispute between North Korea and the United States peacefully through dialogue." Also, the same day, the North Korea Communist Party newspaper *Rodong Sinmun* referred to the U.S. as a "dialogue partner," which is highly unusual.

The U.S. Demands China Revalue the Yuan

Blaming China for the loss of jobs in the collapsing U.S. economy, a group of Senators wrote to Treasury Secretary John Snow, urging him to put pressure on China to float its currency, during Snow's visit to China. The letter, sent Aug. 29 by Senators Joseph Lieberman (D-Conn), Charles Schumer (D-NY), Elizabeth Dole (R-NC), and Olympia Snowe (R-ME), states: "We believe the current undervaluation of China's currency is contributing to job loss and business failure in the

United States at a time of great economic strains."

The *Washington Post* Sept. 1 featured a long front-page article on Chinese resistance to floating their currency, which notes that China has become a prime target for criticism in the same way that Japan was in the 1980s.

Meantime, U.S. hype about the "undervalued yuan" has created hot-money flows into China. The flows began in the forward markets in June, when Goldman Sachs said the yuan was as much as 15% undervalued, the *Straits Times* reported in a commentary Sept. 4. Goldman Sachs had said that China might allow the yuan to fluctuate by as much as 2.5% on either side of the current peg by year's end. Most currency traders doubt that the yuan would rise as much as 40%, which is the figure being tossed around among U.S. trade-union, business, and financial circles trying to get China to submit to another "Plaza Accord"—the agreement which destroyed the Japanese economy in the 1990s.

A senior currency strategist at Bank of America, Simon Flint, was quoted by the *Straits Times* as saying that "The yuan may be undervalued if you look at purchasing power parity or external balances such as the current account surplus. But if you consider internal balance—employment, condition of the banking system—there is no evidence that the yuan is undervalued."

A number of American firms oppose the Administration push to revalue the yuan. "Revaluation would mean increased prices for our products around the world," warned Darren Tucker of New Balance, a company which makes about 60% of its shoes in China. Speaking to the *Wall Street Journal* on Sept. 4, Tucker said that even its U.S. workers wouldn't be helped by a higher yuan, because the shoe parts are made in Chinese factories. A relatively weak yuan keeps costs down in dollar terms for some top U.S. corporations, which depend on China as a source of raw materials, to produce parts for assembly elsewhere, or, as a manufacturing site.

Wal-Mart told China's Vice Commerce Minister Ma Xiuhong that "they want a stable Chinese currency despite recent calls ... for a stronger yuan," *Xinhua* reported in July. Chinese-made products account for a whopping 70% of Wal-Mart's global procurement. Likewise, health-care giant Johnson & Johnson "has a long-term strategy in China [that] requires a stable ... currency exchange rate," said Zian Shunjian, chief financial officer for Johnson & Johnson China Investment Ltd.

According to an executive of a major U.S. clothing maker, "A lot of fabric is shipped out of China to be made in other countries"—even shirts labelled "Made in Honduras". As a result, retail prices would go up if the yuan rose.

Treasury Secretary Snow Brushed Off at APEC on 'Floating-Exchange Rates' Demand

Treasury Secretary John Snow was brushed off in his effort to coerce the APEC (Asia-Pacific Economic Cooperation) Finance Ministers to endorse his demand for "flexible rates" for currencies.

Arriving in Phuket, Thailand from Beijing, Snow told reporters he would call on the delegates to the APEC Finance Ministers' meeting Sept. 5 to include in the communiqué a statement supporting "flexible exchange rates" as a goal. With the United States demanding a Chinese revaluation of the yuan (an effective U.S. devaluation), Snow had the *chutzpah* to lecture the Asians that "you can't devalue your way to prosperity."

Asia wasn't biting. China and Malaysia both maintain a currency peg, while Japan, Taiwan, Hong Kong, and others intervene in the markets to maintain currency stability. The joint APEC ministerial statement at the end of the two-day conference stressed regional reform, but called for "appropriate exchange rate policies that facilitate orderly and balanced external adjustment." While referring to Snow's demands as "a view expressed at the meeting that more flexible exchange-rate management" was the best approach, the communiqué concludes that "there is no single exchange-rate regime that

suits all economies at all times."

Chinese Vice Finance Minister Lou Jiwei said, "I'm very satisfied with the joint ministerial statement."

Taliban Widens Area of Conflict in Afghanistan

Under intense attack from American bombers and artillery in Zabul Province in southern Afghanistan, Taliban militia and their friends have opened new fronts. On Sept. 2, some Afghan rebels attacked a road construction crew on the Kabul-Kandhar Road, about 60 miles north of Kandahar, according to *AFP*. The project was handled by the New Jersey-based highway design and construction firm, the Louis Berger Group. A vehicle belonging to the Louis Berger Group got destroyed by a rocket-propelled grenade (RPG) and four got killed. The rebels, who are suspected to be Taliban, kidnapped four crew members. This is the first time the Louis Berger Group has come under fire.

Meanwhile, the U.S. has restricted the travel of its diplomats in Kabul and warned U.S. citizens in Afghanistan of ongoing security threats in the country. The restriction went into effect on Sept. 1.

Is Karzai Talking to the Taliban?

Despite denials by a spokesman for the government of Hamid Karzai in Kabul, both the *AFP* and the *Afghan Islamic Press* reported Sept. 1 that Afghan President Karzai has sent a senior Afghan government official, Abdul Rahman Hotak, to meet with Taliban officials in several parts of the troubled southern province of Zabul. The report came as the Afghan forces, supported by U.S. troops and aircraft, were engaged in a major operation against suspected Taliban and al-Qaeda bases in the mountains of Dai Chupan district of Zabul, 190 miles southwest of Kabul.

The subject of discussion is a ceasefire. "We have started negotiations because the Karzai government believes in resolving problems through peaceful dialogue," Hotak told the *AFP*. Describing the talks as positive, he said the Taliban in Atghar District of Zabul Province have promised that "in case of a successful dialogue they would not take any step against government." Similar negotiations for a peaceful settlement were also underway in other provincial districts of Shenkay, Syori and Naubahar, *AFP* was told.

If true, this is the first time since the fall of the Taliban in 2001 that the Afghan government has negotiated a ceasefire with Taliban militia, and is reminiscent of the legendary commander Ahmed Shah Massoud, who negotiated seven ceasefires with the Soviets during 1980-88.

Internal Changes in Myanmar Government: Efforts To End Country's Isolation?

The hard-line head of the Myanmar junta was eased upstairs on Aug. 26, with the moderate Gen. Khin Nyunt taking over as Prime Minister, according to *Irrawadi* of Myanmar. General Than Shwe has relinquished his position as Prime Minister to the intelligence chief, Khin Nyunt, while retaining the position of head of state. Than Shwe had been the most isolationist of the State Peace and Development Council (SPDC—the junta), and was viewed by many as an impediment to resolving the internal crisis, where opposition leader Aung San Suu Kyi is still in custody. Khin Nyunt, who has handled most of the important diplomatic work, has also met with Suu Kyi several times.

A Washington expert on Myanmar who has remained close to both sides of the political division there, and who just returned from a visit to Yangon, told *EIR* before his trip that he and others were encouraging precisely such a move, as a precondition for a solution to the isolation of the country and to unblock the internal situation.

Africa News Digest

Mbeki Draws Closer to American System Economics

South African President Thabo Mbeki declared, in his weekly letter in *ANC Today* of Aug. 22-28, that government must organize a large-scale "resource transfer" from the country's "First World" sector to its "Third World" sector, without trusting the lie of economic "trickle-down" from one to the other. But, he said, government must sponsor capital formation in the First World sector to make the resource transfer possible.

Mbeki attacked the concept of automatic economic "trickle down" from higher First World sector growth to the country's Third World sector: "None of this is true," he said. He pointed out that there has to be a large-scale, government-directed "resource transfer" because the two sectors are structurally disconnected. "The task we face is to devise and implement a strategy to intervene in the 'Third World economy' and not assume that the interventions we make with regard to the 'First World economy' are necessarily relevant to the former."

Mbeki reiterated the rationale for the decisions announced at the end of the July Cabinet Lekgotla of putting money into road, rail, and air transport; harbors; and other economic modernization; to continue to put the country's First World economy in the strongest position possible. "After the July Cabinet Lekgotla, we also said that the successes we have scored with regard to the 'First World economy' also give us the possibility to attend to the problems posed by the 'Third World economy'—the two which exist side by side."

Sustained government intervention is needed, he said, for resource transfers to enable the Third World economy to develop to the point that it loses its Third World character.

ASEAN/African Union Cooperation To Be Established

South African President Thabo Mbeki, on a state visit to Malaysia, said cooperation between ASEAN and the African Union would be established soon. Mbeki led a delegation of 70 on a state visit Sept. 1-3, including business leaders and four Cabinet ministers. In addition to meeting Prime Minister Mahathir Mohamad, he met Datuk Seri Abdullah Ahmad Badawi, who succeeds Dr. Mahathir in October, and Yang di Pertuan Agung, the King of Malaysia.

Mbeki "told a business luncheon organized by the Asian Strategy and Leadership Institute he was confident that economic cooperation between... ASEAN and the African Union would be established soon," according to *iafrica.com* Sept. 3. "We are going to be starting negotiations between African Union and ASEAN; we want to increase economic cooperation," he said. He also called for developing countries to "speak with one voice" at the upcoming World Trade Organization meeting in Cancun, Mexico.

Negotiations are underway for Malaysia to assist in the training of South African public servants.

U.S. Senator Announces U.S. Security Interest in Liberia

U.S. Senator John Warner, in Monrovia, Aug. 28, said a stable Liberia is "in the security interest of our country." Warner, chairman of the U.S. Senate Armed Services Committee, had earlier expressed the neo-con view that the U.S. has no national security interest in Liberia, and therefore should not send peacekeeping troops. In Monrovia, however, he said that, "Unless the free world comes in and helps re-establish some form of democracy and a government, it could quickly lapse into a haven for terrorism [that] could be transferred from here to any place in the Western world, and indeed to the United States." Stabilizing Liberia, and nations in similar situations, was therefore "in the security interest of our country," he said.

Although Warner is not entirely aligned with the neo-cons, his case *for* intervention is one that the neo-cons use, when the case for intervention suits their purposes.

Warner said the decision on the UN request for U.S. forces to train a new national army, should wait until a transitional government is in place. But, he said, "there is no cut-and-run in this operation."

Ivory Coast Coup Plot Shows Continued Instability

More than 50 people have been arrested in Ivory Coast (Cote d'Ivoire) and 11 in France since Aug. 23, in what Ivorian President Laurent Gbagbo called an attempt to assassinate him and his principal aides. Gbagbo spoke in a televised address to the nation Aug. 26. Among those arrested in France was Master Sgt. Ibrahim Coulibaly, a key figure in the 1999 coup that briefly brought the late Col. Robert Guei to power. Coulibaly has also been implicated in other coup attempts. Two Army generals, arrested in Ivory Coast, were also prominent in Guei's military government. The controller-general of the police was also arrested. Those arrested in France include the spokesman for the northern rebels (MPCI) in Europe, and former members of the French Foreign Legion.

The northern rebels (MPCI) say they were not involved, but have launched a vigorous campaign for Coulibaly's release, calling his arrest arbitrary. One party in the government of neighboring Mali has named a lawyer for Coulibaly's defense. (Mali supports the MPCI.)

Meanwhile, the head of Gbagbo's ruling FPI Party, Pascal N'Guessan, has accused both Prime Minister Seydou Diarra (a northerner) and pro-IMF opposition schemer Alassane Ouattara (aligned with the MPCI) of involvement.

A judicial source in France claims that one of those arrested, who is associated with a security firm, said he was contacted about forming a security team for members of the Ivorian opposition, but then the assassination of Gbagbo was broached, and he refused, said *AFP* Aug. 30.

The arrests and allegations are occurring against a backdrop of stalemate in the attempted normalization of political life in Ivory Coast. According to *IRIN* Aug. 29, "In recent weeks, the MPCI, [Prime Minister Seydou] Diarra and all the main opposition parties have accused Gbagbo of blocking the peace process..." by refusing to fill the vacant Ministries of Defense and Internal Security with consensus figures.

Synarchist International Former IMF Director Figure in Ivorian Coup Plots

Former IMF Deputy Managing Director Alassane Ouattara continues to be the synarchist mastermind behind the destabilization of Ivory Coast. The French authorities have wiretaps of recent incriminating conversations between Ouattara, and Ibrahim Coulibaly, who was arrested in France. They have also obtained a document signed by Ouattara authorizing unlimited access for Coulibaly to funds in a Fortis Bank account. Ouattara, now living in France, has been called in by Interior Minister Nicolas Sarkozy, his former friend, for a conversation.

Coulibaly was Ouattara's family bodyguard when Ouattara was Prime Minister under President Houphouet-Boigny. Ouattara was, in fact, the mastermind of the 1999 coup—in which Coulibaly played a key role—that put Robert Guei in power; he also masterminded the 2002-03 insurrection.

Ouattara, Coulibaly, and their political forces are not the partisans of "democracy" they claim to be, fighting the "dictatorship" of President Laurent Gbagbo. That became even clearer when someone in Coulibaly's entourage told the *Pan African News Agency* Sept. 2 that she had contacted the French lawyer Jacques Verges to help in the defense of Coulibaly,

and he has agreed.

Verges, a marker for synarchism, is the former Communist who had the Nazi Francois Genoud alongside him for advice in his 1969 defense of three PFLP (Popular Front for the Liberation of Palestine) terrorists who blew up an Israeli El Al plane in Zurich. Hitler admirer Genoud was in the business of providing arms to terrorists. In 1949, Verges formed an enduring friendship with Pol Pot. In 1960, under de Gaulle, Verges was convicted of "anti-state activities" and was jailed.

The inclusion of Verges in the defense team also indicates the case will be made into a political *cause célèbre*. Demonstrations in Paris have already begun.

Malaysian Investors To Kickstart Zimbabwe's Agriculture

Malaysian investors are making immediate, large investments to kickstart Zimbabwe's agriculture, according to the *Herald* of Harare on Aug. 26. This may forestall the Anglo-American takeover of the country. Zimbabwe's President Mugabe met with Malaysian Prime Minister Dr. Mahathir Mohamad Aug. 22 in Kuala Lumpur, at the end of a one-week visit in which the Zimbabwean President and his delegation met with officials, investors, and businessmen. During the visit, Malaysian investors pledged to supply agricultural equipment and machinery, chemicals, seed, and fuel for the forthcoming farming season in Zimbabwe. The pledge will prove a relief; with only a few months left before the onset of the rainy season, the country is faced with a shortage of maize seed, fertilizer, and tractors.

The Malaysians are funding the purchase of 1.5 million tons of ammonium nitrate fertilizer, 500,000 tons of urea, 50,000 tons of maize seed, 20,000 tons of soybean seed, and 10,000 tons of wheat seed. They will also supply 50,000 two-wheel drive and 2,000 four-wheel drive tractors, 100 bulldozers, 500 combine harvesters, 1,000 planters, 10,000 boom sprayers, water pumps, irrigation center pivots, electricity generators, trucks, livestock vaccines, chemicals, and 150 million liters of fuel.

Hero's Welcome for Mugabe at Southern African Summit

Zimbabwe's President Mugabe was hailed with enthusiasm at the annual summit of the Southern African Development Community (SADC) in Dar es Salaam, Tanzania, Aug. 25-26. "The summit has shown overwhelming support for Zimbabwean President Robert Mugabe the past two days. Mugabe was given a hero's welcome on Monday morning, with delegates cheering and ululating him through two standing ovations," said *Sapa-AFP* Aug. 26.

There were loud cheers and applause when Tanzanian President and current SADC chairman Benjamin Mkapa called on the Anglo-American powers to lift sanctions against Zimbabwe, saying the quicker they are lifted, the sooner "positive growth and change can emerge." He said the sanctions were unwarranted, ineffective, hurt ordinary people, and "have profound social and economic implications on the region as a whole."

Mkapa said Africans must stop complaining of foreign exploitation of their natural resources and embrace "the concept of smart partnership" to achieve "our shared development," or "we will remain poor." "Smart partnership" is the hallmark of Malaysian Prime Minister Mahathir's influence.

Mkapa was angry and biting in his support for land redistribution in Zimbabwe. He said his remarks should not, however, be interpreted as support for "arbitrary, illegal, unlegislated, economically unproductive and unbalanced restitution."

In response to the threat from the EU and U.S. to refuse funding for projects in which Zimbabwe is involved, Tanzanian Foreign Minister and current chairman of the SADC ministerial council, Jakaya Mrisho Kikwete, said, "The EU can either

fund us as a group or keep its financial aid." The same goes for the United States.

But the rotating SADC presidency, due to come to Zimbabwe, has been diverted for a second time: The 2004 summit will be held in Mauritius, not Harare. SADC officials told Johannesburg's *Sunday Times* Aug. 24 that regional leaders fear repercussions if they elect Mugabe.

Surprising Admissions from Think Tank Seeking Mugabe's Overthrow

We trash your economy and destabilize your government—if you resist, we screech about human rights and support a puppet to overthrow you. That is message to be read between the lines of a report, "Zimbabwe and the Prospects for Nonviolent Political Change," issued in August by the U.S. Institute of Peace. It says the Zimbabwe government "has used its anti-colonial legacy and its role in the war of liberation to build a nationalist platform with a stated commitment to rectify colonial injustices—a theme that garners support from many leaders in developing countries and Zimbabwe's rural populace."

There is "widespread acknowledgment," it says, in Zimbabwe and abroad, that the IMF's structural adjustment program of the 1990s was a major factor in "putting the economy on a steep path of decline." The report omits to mention that Mugabe only attempted large-scale land redistribution when that economic decline hit.

The report says that the IMF's later withdrawal of balance-of-payment support, the imposition of sanctions, and withdrawal of donor support "have crippled the government's ability to resuscitate the economy" and "sanctions have severely undermined the Zimbabwean government's ability to deliver social services."

The authors claim not to know for sure, but admit "it is likely that the [opposition] Movement for Democratic Change (MDC) has received significant international donor support" (which *EIR* has fully reported). The MDC "has repeatedly stated that a resumption of relations with the IMF would be a first necessary step to economic recovery."

The best way to overthrow Mugabe, the report says, "is a combination of increased international and domestic pressure" on the government. It adds, "a prolonged domestic campaign may be necessary to loosen Mugabe's hold on power and to increase the MDC's position at the negotiating table."

Current interventions by China, Malaysia and India to restart Zimbabwe's economy are not taken into account.

U.S. Council on Foreign Relations Invites Mugabe

The U.S. Council on Foreign Relations has invited President Mugabe to address its members. State Department briefer Phil Reeker was taken by surprise Sept. 2 when asked whether he was aware of the invitation. Later in the day, the State Department confirmed that the CFR has invited heads of state attending the impending UN General Assembly to address its members and participate in question and answer sessions. Mugabe was among those receiving invitations.

Egypt Wants Guarantee of Sudan's Unity

Egyptian Foreign Minister Ahmed Maher said Sept. 1 in Khartoum that Egypt will not take part in the Sudan peace talks simply as an observer, according to *Arabic News*. Maher apparently did not say how Egypt is achieving a larger role. Talks resume Sept. 10.

Maher met with Sudanese President Omar Hassan al-Bashir and First Vice President Ali Othman Muhammad, and reported that his discussion with President al-Bashir dealt with "efforts to achieve peace and the contacts Egypt is making in support of the Sudanese position."

Maher also said, "It is natural that any friend of Sudan will be worried until an agreement that guarantees the unity of the Sudan is signed." (Egypt is particularly concerned because the Nile, on which its existence depends, flows through southern Sudan.) The Machakos Accord, the ostensible basis for current negotiations, does not guarantee Sudan's unity, and the latest (July 12) draft of a peace agreement virtually guarantees secession. by the South.

This Week in History:

September 8-14, 1922

We go this week to Sept. 8, 1922, the date of birth of *EIR*'s founder and America's leading statesman, Lyndon H. LaRouche, Jr. Lyndon LaRouche's role in scientific discoveries and statecraft over the past 81 years, make it appropriate for us to focus on his life in our column this week.

LaRouche was born in Rochester, New Hampshire, and spent much time in his teen years studying epistemology and philosophy, during which time he adopted a Leibnizian outlook in science. He served in the U.S. Army between 1944 and 1946 in the China-India-Burma theatre, during which experience he developed a commitment to the urgency of affording what have sometimes been termed "Third World" nations their full rights to perfect national sovereignty, and access to the improvement of their educational system and economies through employment of the most advanced scientific and technological progress.

When he returned to the United States, he delved into studies of Bernhard Riemann, Georg Cantor, and Gottfried Leibniz, with a passion to disprove the *cybernetics* theories which were then becoming popular. His discoveries of physical principle in the period of 1948-52, led to his introducing axiomatically non-linear notions of individual human cognition, explicitly, to the field of economics. His own work located the determining, non-linear function in the increase of society's potential relative population density, in the relations exemplified by the role of the machine-tool principle in the productive processes.

Concomitant with this breakthrough, was LaRouche's development of abilities as a long-term economic forecaster, and it is these forecasts which have, to a great extent, brought him international political prominence, and the ability to shape economic policy proposals for nations caught in the current bankrupt world economic systems.

In the late 1960s, LaRouche began to establish his own political association, as the result of his interventions, through economics classes, on university campuses. With the dramatic vindication of his first long-range economic forecast, with the developments of Aug. 15, 1971, LaRouche's political association grew, and he himself became an increasingly prominent and controversial political figure, not only in the U.S., but internationally.

From 1971 on, LaRouche's political influence was such that it is impossible to honestly account for the flow of historical events, without taking him and his political movement into account. Leading elements of this influence include:

*His campaign for "strategic defense" against nuclear weapons, as part of a science-driver program for "new physical principles." This thrust was picked up by President Ronald Reagan in the form of the Strategic Defense Initiative—which, although that program came to be subverted by Kissingerians and neo-cons in the Reagan Administration, played a world

historical role in relation to the demise of the Soviet Union.

*His campaign for a "new just world economic order," which has been picked up in many forms around the world, has influenced the outcome of such events as the 1976 Colombo Conference of the Non-Aligned Movement, the 1982 Latin American debt crisis, and the current worldwide moves toward a New Bretton Woods monetary system, and the associated worldwide economic reconstruction program, called the "Eurasian Land-Bridge."

*The campaign which LaRouche inspired, to "save the Presidency" in 1998, from the unconstitutional effort to impeach President Clinton. LaRouche provided the impetus for a nationwide movement which would expose the neo-con cabal behind the impeachment drive.

*His campaign for reviving Classical culture, both in terms of a negative war on drugs (stressing the need to close down the financial underpinnings of that trade), and in terms of promoting Classical music, drama, and science—the first being best identified with LaRouche's drive to lower the concert pitch to C=256.

*And finally, LaRouche's campaigns for the Presidency, which have occurred every four years since 1976, with all but the first being Democratic Party campaigns.

LaRouche's success on the SDI, on the world debt crisis, and in electoral politics, led his high-level political enemies, who had been watching him (or worse) since the late 1960s, to target him for elimination from the political scene, either by legal assault or assassination. Convicted and jailed in 1988-89, LaRouche came out of prison in 1994 as a statesman, with renewed credibility internationally, and within civil rights layers, and others, in the United States.

That credibility has dramatically increased over the past nine years, and LaRouche has been an increasingly prominent interlocutor, on economic policy, in Russia, Italy, China, and elsewhere. In the U.S., LaRouche—and his now-burgeoning LaRouche Youth Movement—has come to the fore, again, as a spokesman for reviving the approach to economic policy represented by President Franklin Delano Roosevelt. LaRouche is acting *now* to pull together the forces to kick out Vice President Dick Cheney, guide the Bush Administration on a safe, non-war path for the rest of its term, and become President in January 2005.

While LaRouche aims to leave his major legacy as President of the United States, he has written at least a dozen books, and thousands of pamphlets, many of them translated into a large number of languages, which have had a major influence, already, in the thinking of leading citizens throughout the world. Indeed, to learn what LaRouche has to say, is one major reason to read this online magazine. For more information, see www.larouchein2004.com, or www.larouchepub.com.

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