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This Week You Need To Know

LaRouche in 2004 Press Release*

New Release To Hit Cheney Hard — by Lyndon H. LaRouche, Jr.

The third of the series of "Beast-Man" reports exposing the U.S. and British pro-imperialist forces behind the crimes of Lynne Cheney's carpet-chewing husband, Vice President Dick Cheney, will hit the streets of Washington, D.C. by Thursday, but will also be posted on my campaign's international website locations earlier in the week.

The report, aptly entitled "The Sexual Congress for Cultural Fascism," traces, with hard fact, the political origins of the current connection of Cheney and his accomplices to an operation launched back during the 1940s, by Franklin Roosevelt-hating circles from locations including London, New York City, and Nashville, Tennessee. This subversive operation against our republic was opened at the close of World War II, by rogue elements of our establishment who were working in concert with selected remnants of the Nazi apparatus. This operation was intended to be a campaign of fascist-like culture warfare against the Classical traditions of the United States and other nations. There is no mere coincidence in what is now the obvious fact, that Nazi precedents have been copied, wittingly, by agents of the Cheney-Bush Administration for the Hitler-like crimes which that Administration has authorized and perpetrated in prison-camps in Gitmo, Afghanistan, and Iraq.

The report documents a case which exposes the alliance of UK Prime Minister Tony Blair and the Cheneys for launching what Cheney et al., have defined as "preventive nuclear warfare" against a series of Eurasian targets. This ongoing operation by them, is a product of the widespread undermining of the minds and morals of many on both sides of the Atlantic, by means of a program of cultural warfare conducted by circles associated with Allen Dulles and others to uproot the character of President Franklin Roosevelt's U.S.A. as the world's leading producer nation. For that purpose, these circles have worked for about 60 years, in their intention to uproot Classical cultural values such as those of Roosevelt's U.S.A. in occupied and post-occupation Germany and other nations as well.

This program of cultural warfare, which produced the "rock-drug-sex youth-counterculture" of the late 1960s, and the outburst of international drug-trafficking, among other effects, was conducted under a scheme launched by the Fabian utopian fanatics H.G. Wells and Bertrand Russell, a scheme which included Russell's publicly stated September 1946 policy of "world government" through terror of nuclear weapons. The documented evidence is, that this has included Russell's so-called "cybernetics project," Fabian-promoted Fellowship-style "religious fundamentalism," and the general depravity spread under the rubric of "The Congress for Cultural Freedom." The cultural corruption induced by these and related means, created the preconditions under which "Beast-Man" Cheney's policies and practices would be tolerated to the degree this has been the case.

An appended feature of the report documents a related international press operation against my candidacy. This operation has been launched into continental Europe and the U.S.A. leading press itself, directly out of war-mongering Fabian Prime Minister Tony Blair's 10 Downing Street, through Blair's fellow-creatures of the liberal-imperialist Fabian Society. The

roster of the latter creatures includes, prominently, Cheney family crony and British Baroness Liz Symons, her family, and other circles in London. This operation, launched from London at the time of the Blair government's role in the case of the alleged suicide of the British intelligence professional Dr. David Kelly who exposed the "sexed-up" character of the information used to launch the Iraq war, had been planned to be unleashed, through leading press circuits in the U.S.A., during the June and July period, as part of a British government intervention into the programming of the upcoming Democratic National Convention in Boston, this year.

Now, the most recent British elections have given Blair himself a politically bloody defeat. One wonders how many accomplices he will continue to find among the organizers of the Boston Democratic Convention, or anywhere else, for that matter.

***Paid for by LaRouche in 2004**

Latest From LaRouche

LaRouche to Berlin Cadre School:

The Fight Is Ours To Win or Lose

Lyndon LaRouche gave the following address to members of the LaRouche Youth Movement in Berlin, Germany, May 30, 2004.

Let me just summarize what our situation is in the United States.

What happened over the course since the abortive election of 2000, was, if you recall, I got into action immediately, and there was a significant shake-up in the Democratic Party, as elsewhere, on this. As a reaction to that, in the course of time, under the present National Chairman, Terry McAuliffe, there were accelerated efforts to exclude me from the campaign, from the primary campaign, by every means possible. This was objected to in some circles, but they went ahead with it nonetheless. ...

Now, during this period, as a result of what we set into motion, with a series of webcasts and so forth, by me—and documents—during the November, December, January period, prior to the inauguration of the present President, and beyond through the spring, as around the issue of the Washington, D.C. General Hospital, D.C. General, that around these issues, my foothold in the present level of the Democratic Party's organizing was pretty strongly established. And therefore, very special efforts were made on the part of my opponents in the party, to have me excluded, because I had a very strong foothold in the party at that time.

Setting the Trap

Now, what's happened is, two things: First of all, understanding exactly what Cheney and Co. were up to, especially from the end of 2001 and the beginning of 2002, I set into motion an effort to stop the war, which Cheney had induced the President to launch. Now, this was not a matter of, can we stop the war? This was a matter of setting a trap. And all good operations involve setting a trap, not trying to get to a necessarily predetermined conclusion.

And the trap was that, if they went with the war, the penalties which would be imposed upon them, and to a large degree

because of my action, would create a situation like Napoleon advancing toward Moscow: that is, a policy of strategic defense. They could go ahead with the war, or we might stop them. However, if they went ahead, and overwhelmed our attempt to get people to stop them, that would mean, that they would fall into a trap. And they've now fallen into a trap.

In the course of this, because of a number of things, including my past history in the United States, I was able to concentrate not merely on the Congress—because the Congress was not a decisive place from which to act; it is now becoming important, much more important than it was before. But back in 2002 and 2003, as you will recall, the Congress was not a very important place, in terms of fighting off this war. But now, it's changed.

In the meantime, what I concentrated upon was the institutions of the Presidency: that is, the military, the intelligence services, the diplomatic services, and so forth. And concentrated on those aspects of the Congressional system, which have a very special relationship to the functioning of the Executive branch. In other words, the general idea was the general popular base of the parliamentary side of the U.S. system, would not essentially function, to stop the war. And in general, a parliament is a very bad institution for trying to deal with these kinds of things. It's an executive, or Presidential system, that can deal effectively with something like this. But the problem is, we had the wrong President. And the wrong President was a puppet of the wrong circles.

But nonetheless, we mobilized and developed a working network, which involves us, around my putting a point on the spear, personally. As a result of that, you have seen, over the past period, especially during the course of 2004, but actually in 2003 as well, a buildup of people who are orchestrating in the press, and elsewhere, exposures, and organizing processes, which have led to crippling the neoconservative crowd behind the war. And this influence we've developed internationally.

So, now we're in a position, like those receiving Napoleon at Moscow, in 1812; we're now in a position where action can occur, relevant action can occur. We're down to the wire. The Democratic Party is not closed yet. The word is out that Kerry is going to accept the nomination, and will be nominated. But that is very much in doubt.

Open the Convention

What's happened recently is, that since the Super-Tuesday, so-called, primary elections, Democratic elections in March, that Kerry has been falling at an accelerating rate, in popularity. In a similar period, Bush has been collapsing, President Bush, his popularity, has been collapsing among Republicans. And, on the other side, Kerry's popularity has been collapsing among those who might be expected to vote for a Democratic Presidential candidate.

So the whole thing is collapsing. Now, Kerry is being advised to lay back, and let Bush hang himself. Well, that's rather stupid, as I think the former President Clinton recognizes. So there was a move in the Democratic Party to say, let's have an open convention. Which means, as I had proposed, have Kerry agree to release his delegates, that is, the delegates who are committed to vote for him on the first vote. Because after the first poll of delegates on the Presidential nomination, in a convention, the convention is then open for people to change their allegiance to one candidate or another.

Now, if Kerry were to release his delegates to vote their conscience on the first round, of the nominating poll, then you would have an open convention. If you did that under the intention of having an open convention, and bringing everybody in who should be brought in, for the kind of discussion and so forth the convention should represent, then you would have a situation of the following description: The issues that were being discussed, in the campaign, that is, in terms of television campaigning and so forth, during the early part of the year, have today no relevance to the issues which are on the table at the present time. The economic question, which was brushed aside then, can not be brushed aside now; not with \$40 odd, plus or minus, a barrel for oil. And with the general inflation, the hyperinflation, which is in progress,

despite the attempts to deny it. And the war question. You can no longer deny the war question, or deny the horror show which this war represents, this occupation.

So, these issues, presently, that occupy the headlines, or should occupy the headlines around the world, and what the issues were considered to be in the early part of this year, are two different things. And therefore, what people thought, up through March of this year, in the population in general, and what they are inclined to think today, or will be thinking during the summer, are two different animals entirely.

So, this is where the fight is. - Protecting the Bankers -

Now, there's a big effort to contain this. The containment comes largely from the same people, the Synarchist International and similar types, and their agents, like Felix Rohatyn and so forth, who are determined that in the coming crash of the financial system, it is the financier interests who will be protected by government, and it will be the people who will be looted. In other words, fiscal austerity of the type that's made a lot of people unhappy in Germany, for example.

So, the question is: Are you going to have fiscal austerity of the type which Herbert Hoover applied in '29 to '33? Which resulted in, could have led to, a fascist dictatorship like Germany's in the United States. Whereas in Germany, as 1931 hit, in which an alternative to the Hoover-like policies of that time, was actually on the table, the decision *not* to go ahead with an anti-depression policy, with the Lautenbach plan, that decision paved the way under which the New York bankers, in support of Montagu Norman of the Bank of England, put Hitler into power in Germany. And that pretty much determined history, at least after the Reichstag Fire of February that year.

So, by the time that Roosevelt had come into the Presidency actually in March, actually installed as President, the predetermined situation was established. War of the type that occurred, was more or less inevitable, between the time that Hitler was put into power, on Jan. 30 of '33, and the time that Roosevelt was inaugurated as President. It was pretty much predetermined.

So, we're now in a situation in which something parallel occurs. You have the financier interests which know the system is going to come down. They're trying to postpone the crash until after the November general elections in the United States. The assumption is that if they can get a President in office who is committed to the bankers, and not to the people, they can do to the American people what is being done by the vulture funds to Argentina. That is, they will loot the American people, put them under a virtual harsh austerity measure, of a fascist type, with fascist political measures coming along the line, and new wars coming along.

Therefore, the effort to postpone the crash, or the perceived crash, until after the November elections, is part of this scenario.

I Am the Spoiler

I'm the spoiler in this thing. And that's what the issue is all about. But right now, in terms of U.S. institutions, I'm amid a network people, leading retired generals, for example, leading representatives of the intelligence community, and so forth. ...

So, you get this kind of freakout from fascist circles in Britain, Blair circles in Britain, through the Guardian today, expressing the fear that the network of people with whom I've been working, that this network inside the institutions of the Presidency, and also in the Congress, that this combination represents a real threat to what some of these guys intend to do.

So, that's where we stand. It's a fight. But if anyone's going to win this thing, it's ours to win or lose. That is, if we can not succeed, then the world will lose. And we, of course, too. But we're in a position where we can win. And that's the best you get in history. You never get an absolutely predetermined, inevitable result. You always get a set of options, that you're coming toward a branch in the road, where the one road goes one way, and another road goes another way. You take one of them, and, if you're smart, intelligent, you foresee this branch in the road, and you prepare yourself to position yourself for either eventuality; just as the Prussians and Alexander I of Russia knew that Napoleon, when he broke through Poland, could go along the road toward Petersburg, or toward Moscow. And the plan was to fight a delaying action, not decisive battles: Let Napoleon invade. Draw him deeper in, deeper in, and be prepared to destroy him, whenever he reached either St. Petersburg or Moscow. Napoleon made the worst choice for himself, where his logistical situation was the worst, and chose Moscow, and in Moscow, he was destroyed.

And that's the way we have to think today. Strategic defense. The enemy's going to try to drive on. He's going to come to a number of branches in the road, where he will choose, or events will choose, which road is taken. We have to be prepared for either eventuality.

So, that's what I have to say. The rest is up to you, to squeeze out of me.

Links to articles from *Executive Intelligence Review**.

***Requires Adobe Reader®.**

Feature:

A PERSONAL REFLECTION: I Remember Ronald Reagan

by Lyndon H. LaRouche, Jr.

June 6, 2004

This morning's press broughtmestunning news: the death of U.S. President Ronald Reagan. Although we actually met on but one occasion, at Concord, New Hampshire for a candidates' night, in January 1980, that meeting between us changed world history in ironical ways which are reverberating still today.

- **The Power of Ideas: SDI Changed the World**

by Jeffrey Steinberg

The tenth anniversary of President Reagan's announcement of the Strategic Defense Initiative was marked by this presentation by EIR Counterintelligence Editor Jeffrey Steinberg— "The Power of Ideas: LaRouche's SDI Changed the World"—to the ICLC/Schiller Institute conference of March 21-22, 1993.

- **Soviets' Fatal Reaction To LaRouche and Reagan**

by Rachel Douglas

... adapted from the address of EIR Eastern Europe editor Rachel Douglas—"The Andropov/Gorbachev Regime's Attacks on LaRouche"—to the March 21-22, 1993 ICLC/Schiller Institute conference. The presentation made extensive use of slides and other illustrations. This text first appeared in an EIR White Paper shortly thereafter.

Strategic Studies:

THE ALGERIA PARADOX:

Will Bush or Kerry Learn a Lesson from Charles de Gaulle?

by Pierre Beaudry

The clearest exemplar of a modern national leader who was capable of realizing when not to “stay the course,” and acting forcefully on that decision, was French President Charles de Gaulle, who ended France’s bloody attempt to keep colonial control over Algeria. De Gaulle realized that that course would have led to national destruction of France as a republic, and overcame right-wing resistance and a threatened coup to withdraw French forces. Pierre Beaudry examines the right-wing synarchist force which was responsible for the Algerian war—launched at virtually the same time as the French defeat in Vietnam at Dien Bien Phu—and the threat to France’s national existence.

Economics:

Argentina:

Financial Vultures Try to Topple Kirchner

by Cynthia R. Rush

When Argentine Finance Minister Roberto Lavagna presented on June 1, his government’s final offer on restructuring the \$81 billion in public debt on which the country defaulted in December of 2001, representatives of the speculative vulture funds and other financial predators who have spent the last 15 years savagely bleeding Argentina, went berzerk.

IMF Caused Killer Flood In Hispaniola

by Jorge Luis Meléndez Cárdenas

The devastating floods and mudslides that killed more than 2,000 men, women and children, and wiped out entire towns on both sides of the Haitian/Dominican Republic border on the island of Hispaniola in late May, might have been triggered by week-long torrential rains; but the tragedy was no “natural disaster.” It was the entirely predictable consequence of decades of looting on the part of the international banking elites,

Oil Gets Germans To Rediscover Nuclear Power

by Rainer Apel

The shock at the drastic increase of crude oil and gasoline prices over the last few weeks... have caused two political responses in Germany:... the immoral announcement by the ecologists that high oil prices were good for the development of “alternate” energy sources...on the other, new initiatives to revive nuclear power technology, as a real alternative to fossil fuels.

Science and Technology:

In Africa, DDT Makes A Comeback To Save Lives

by Marjorie Mazel Hecht

Spurred by the dramatic and life-saving results in a few African nations that persisted in using DDT, a larger group of nations, now malaria-ravaged, want to use the banned pesticide.

International:

Sharon’s Generals Plan a New Six-Day War with Egypt

by Dean Andromidas

The hawks on the General Staff of the Israeli Defense Forces may be planning a new Six-Day War, while Israeli politicians and the world dither over Israel Prime Minister Ariel Sharon’s so-called Gaza disengagement plan. This was revealed in a signal piece by Israeli military commentator Amir Oren, in the daily Ha’aretz on June 5.

- **‘Project Daniel’ Is Issued By Israel’s Dr. Strangeloves**

by Dean Andromidas

The hawks in the Israeli military security establishment have signaled that they are prepared to launch nuclear war against all Arab States as well as Iran and Pakistan, issuing a report which for the first time publicly flaunts Israel’s nuclear weapons, and aggressively adopts

the “pre-emptive war” doctrine from U.S. Vice President Dick Cheney’s September 2002 manifesto.

Unchanging Afghanistan; Whither Karzai?

by Ramtanu Maitra

Afghanistan’s beleaguered interim President Hamid Karzai was a guest at the June 8-10 Group of Eight summit at Sea Island, Georgia. Before that, he was at Fort Drum, New York to thank the 10th Mountain Division for their help in Afghanistan. President Karzai, the Bush Administration’s man-in- Kabul entrusted with the unenviable task of ushering in democracy in Afghanistan, is now a prisoner of the United States.

Australia Is in the Middle Of the Iraq Torture Scandal

by Allen Douglas

For the second time within a month, the Australian government is beset with allegations that it has carried out, covered up, and/or condoned torture against defenseless human beings.

Interview: Maxim Ghilan

Part 2

To Be Ethical and Still Succeed’

Rarely do international, especially American, audiences hear directly from Israelis who have dedicated their work and their lives to a finding a just solution for peace. With 60 years of experience in Palestine and Israel, Maxim Ghilan brings an insider’s view of the pulse-beat of the region. In the first part, he discussed the danger to global stability posed by the alliance between the current regimes in Israel—run, in effect, by fanatics in the Army General Staff—and in Washington, run by Dick Cheney.

Italicus Train Bombing: Was Aldo Moro the Target?

by Paolo Cucchiarelli

Following the warnings of Lyndon LaRouche and EIR about the danger of a new, global “strategy of tension” by the international synarchist networks, such as the bombs placed aboard of several Spanish trains all destined to come into Madrid at the same time on March 11, our correspondents have sought the expertise of anti-terrorist experts, historians, and political leaders in Italy, which was a major target of the original “strategy of tension” in the 1970s and ’80s.

Malaysia, China: Ties Of Centuries Celebrated

by Gail Billington

Malaysian Prime Minister Abdullah Ahmad Badawi made his first state visit as Malaysia’s Prime Minister to China from May 27 to May 31. The state visit in itself reflects a history of ties between the two ancient countries that date back 600 years, to the historic visit of China’s famous Admiral Zheng

He, who visited Malacca, then the capital of Malaysia, during his fleet’s years-long journey of world exploration.

Who Bene•ts From Chaos?

In recent weeks, major neighbor countries of Iraq— Saudi Arabia, Iran, and Turkey—have been targetted by destabilization. The same is true for Pakistan and Afghanistan. The terrorist attacks inside the Saudi kingdom have been widely reported, and automatically attributed to the “Al-Qaeda” terror network. But strategic experts in Europe, consulted by EIR, have hypothesized that the neo-conservative apparatus in Washington and London, run by the synarchist banking network, may be deliberately orchestrating a “chaos scenario” for the Southwest Asia region...

National:

‘Super-Watergate’ Hits Bush and Cheney

by Edward Spannaus

“A Super-Watergate is now underway,” Lyndon LaRouche said on June 9, remarking on the intensifying pressure on the Bush-Cheney Administration, and the escalation of the obstruction and coverup by the White House. The Watergate- type pattern is striking—and the overall process is readily understood by those who are familiar with the fight that LaRouche and his associates have been waging against the neo-

conservatives in the Administration, and against Vice President Dick Cheney in particular, for the past two years.

Unravelling Ravelston: RICO and Richard Perle

by Scott Thompson

Richard Perle, the neo-conservative warmonger and former adviser to Defense Secretary Donald Rumsfeld, has recently been doing his utmost to defend his old friend and operative, the Iraqi National Congress's Ahmed Chalabi, since the May 20 raid upon Chalabi's home office in Baghdad. But Perle, who finds himself in deeper and deeper financial and political difficulty, may soon be consumed with defending himself.

LaRouche Challenges Kerry To Show Some Guts

by Nancy Spannaus

On June 3, the senior Democratic members of eight committees of the House of Representatives sent an **open letter to President George Bush**, demanding his cooperation in getting information to hold a public House investigation of the Abu Ghraib torture scandal. The phalanx of ranking Democratic committee members said: If the House Republican leadership continues to block such hearings, the Democrats are determined to carry out an investigation themselves...

- **House Democrats' Letter To the President**

This is the letter sent, by ranking U.S. Democratic Congressmen, to President G.W. Bush on June 3, 2004, requesting his assistance in obtaining 35 key documents, for purposes of investigating the prisoner abuse scandal.

LaRouche Youth Movement Pokes at Soros' Dems

by Matthew Ogden

Lyndon LaRouche has dedicated his youth movement to the study of knowable truth, through historical discoveries such as Gauss' proof of the Fundamental Theorem of Algebra. As a Platonist, he teaches that if you run across something furry in your path and you want to know what it is, you don't stand and objectively look at it; you poke it with a stick and see what it does...

Rumsfeld Hits a Buzzsaw in Singapore

by Mike Billington

If U.S. Secretary of Defense Donald Rumsfeld believed that his trip to Asia in early June would provide some relief, from the escalating exposure and condemnation of his role in the Iraq fiasco, and in instigating the systematic torture of military detainees around the world, he was sorely mistaken.

Books:

Bush-Cheney Presidency: Worse Than Watergate

by Edward Spannaus

The Secret Presidency of George W. Bush

by John W. Dean

New York and Boston: Little Brown and Company, 2004 269 pages, hardcover, \$22.95

This timely book were more accurately subtitled "The Secret and Deceptive Co-Presidency of Dick Cheney and George W. Bush"—for that is precisely what John W. Dean documents. Dean, the one-time Counsel to President Richard Nixon, knows whereof he speaks, when he characterizes the Bush- Cheney co-Presidency as "worse than Watergate," and he presents a compelling case that the abuse of power by this Administration is far, far worse, than that of the Nixon Administration. And this was before the Abu Ghraib scandal came to light, with the evidence now piling up day by day that top Administration officials are responsible for war crimes committed in Afghanistan and Iraq.

President McKinley Made a Victim Of Character Assassin

by John Ascher

William McKinley

by Kevin Phillips

New York: Times Books, 2003, 208 pages, hardcover, \$20

LaRouche's assessment of the McKinley assassination led this reviewer to examine McKinley's life from that standpoint (see "Remembering William McKinley, 100 Years After His Assassination," *NewFederalist* Sept. 3, 2001). Such a study must examine the ongoing struggle of American patriots of the American Intellectual Tradition against the British Empire, and how that struggle was weakened in the aftermath of the assassination of President Abraham Lincoln.

Phillips rejects the concept of intention by individuals acting in history, and therefore, the way in which the individual leader acts upon certain principles in a specific historic context...

U.S. Economic/Financial News

Housing Bubble Near Bursting; Mortgage Refis in Free-Fall

On the night of June 7, the Ohio-based Dominion Homes shook the U.S. housing industry. Dominion, which does all of its business in Ohio and Kentucky, announced that its gross home sales for April and May of this year, had fallen 17% below sales of April and May of last year. However, when cancellations were factored in, its net sales had declined 35% from the same two months last year. On June 8, Dominion's stock price fell 15% on the NASDAQ stock exchange.

Dominion had home sales of half a billion dollars last year, which puts it in the middle tier of U.S. home building companies. The two biggest U.S. home building companies, Pulte and Lennar, each raked in \$9 billion in home sales last year. However, on June 8, as the news of Dominion's problems spread, the stock of some of the biggest U.S. home building companies—Lennar, Toll Brothers, and Centex—each lost 3% on the stock market.

There has been an attempt by the financial media to belittle the portent of Dominion's sales fall, by stating that 70% of Dominion's business consists of first-time home-buyers, who are heavily dependent on the level of interest rates to finance their homes. When rates move up, they flee the market. The claim is that the big home-builders sell to people who have owned one or more homes previously, and are committed to getting a more expensive home, even if interest rates continue to rise. But there is a difficulty here: To trade up, a home-buyer must first sell his old home. "First-time buyers are the suckers who are supposed to buy my house at its inflated price so I can move to a McMansion," stated Northern Trust Bank chief economist Paul Kasriel. But, Kasriel added, if the first-time buyer (sucker) can't buy the house from the person who is planning to "move up" to a more expensive new home, "there might be a problem."

Households Cut Back on Mortgage Refis

The biggest threat to the housing market, is the *rate* at which households are cutting back on their financing of home mortgages, prior to a formal announcement of higher interest rates by the Federal Reserve. For the week ending June 4, 2003, the level of U.S. home-mortgage financing was at its peak. Now, the Mortgage Bankers Association (MBA) reports that for the week ending June 4, 2004, its measure of mortgage financing—the Market Composite Index of home financing—fell to a level 569, a stunning 68.0% fall from the level of the comparable week last year. Further, the MBA's Refinancing Index fell to a level of 1,363 for the week ending June 4 of this year, an 86.3% plunge from the level of the comparable week last year.

The value of U.S. housing-market paper outstanding is more than a combined \$13 trillion.

Fed Gov. Bernanke: Don't Pop the Bubble!

Federal Reserve Bank of Minneapolis governor Ben Bernanke, asked about the Federal Reserve's role in dealing with speculative asset bubbles such as in housing, argued against raising interest rates to deliberately pop them. "I think it's

extraordinarily difficult for the central bank to know in advance, or even after the fact, whether or not there's been a bubble in an asset price," he told Minneapolis Fed Research Director Art Rolnick in an interview this month. "If a bubble does exist, there is no guarantee that an attempt to 'pop' it, won't lead to violent and undesired adjustments in both markets and the economy," Bernanke said. "It is rarely, if ever, advisable for the central bank to use its interest rate instrument to try to target or control asset price movements," he added.

Were the bubbles to burst, however, Bernanke urged flooding the markets with liquidity to bail out the financial system. "To the extent that there are large movements in asset prices that threaten the stability or functioning of exchanges or other institutions," he said, "the central bank may have to play a role to try to stabilize those institutions, as the Fed did in October 1987 for example," referring to when the Fed massively pumped up the money supply after the stock market crashed.

Asked whether the Federal Reserve could not afford to let large banks fail, because of the systemic impact on the rest of the economy (the "too big to fail" policy), Bernanke said that in general a troubled bank should be allowed to fail. But, he said there would be "cases where the central bank and the [Federal] Deposit Insurance Corporation decide to prevent the failure of a large institution in the interest of systemic stability."

Steel Prices Continue To Surge Upward

Steel prices continue to surge upward, even as China announces it has begun to control the pace of growth, the *Washington Post* reported June 6. Comparing the level of May of this year, to that of May 2003, the price of hot-rolled steel has risen by 114%, cold-rolled steel is up 74%, and steel plate is up 114% on the spot market, according to Tom Stundza, a metal markets expert at the trade magazine *Purchasing*. Since the beginning of June, the price of hot-rolled steel climbed further to \$590 per net ton, by far the highest level during the past decade.

The steel price increase is passed along to makers of construction materials, kitchen appliances, heating and cooling systems, and other products with high steel content.

** In the last week of May, three heating and cooling equipment suppliers—Carrier Corp., Evapco Inc., and McQuary International—announced price increases of 4-6% due to steel costs, according to the *Air Conditioning, Heating & Refrigeration News* online trade journal.

** Maytag Corp. a home-appliance producer, announced a major restructuring on June 4, cutting 20% of its salaried workforce, blaming cutbacks on declining sales and rising steel prices.

** Several companies are hit with big bills for steel, but are able to pass on only some of the increase. Adelphi, the large American auto-parts supplier, reports that it has paid 30-50% more for steel since the beginning of the year, but has been unable to pass the increases on to its corporate customers in the auto industry. But this situation is about to break soon.

Many "analysts" attributed the steel price inflation to the large demand for steel by China. During the past two months, Beijing has slowed down the country's industrial growth, but the steel price keeps rising. It should be kept in mind, that there is a very active steel spot market, where buyers can affect prices. However, as Lyndon LaRouche points out, with regard to hyperinflation, one should look at deeper processes, at Federal Reserve Chairman Alan Greenspan's continued policy of monetary emission, and several years of runaway inflation in asset prices.

Austerity, Ecologism Promote Spread of West Nile Virus

Five human cases of West Nile Virus have already surfaced this year in the U.S., while hundreds of birds have tested positive across the country since April. Fiscal austerity and environmentalism have led to the deadly policy of letting West Nile Virus hibernate and spread across the U.S. since 1999 when it first struck New York/New Jersey. States have cut public health budgets, and most have adopted the "4-D" defense:

- * avoid going outside at dusk and dawn;
- * dress with full length sleeves and pants;
- * use DEET insect repellent; and
- * drain all standing water.

Lyndon LaRouche's call to bring back DDT spraying is the only sane and now urgent solution to a spreading disaster.

The latest human case of WNV was announced in California June 8. A 40-year old woman became ill with flu-like symptoms in mid-May and was subsequently diagnosed with the disease. She fortunately has recovered, but the number of positive infected birds found in California is in the hundreds between April and now. This is early in the WNV season and is repetitive of what happened in Colorado between 2002 and 2003. Colorado had only 12 human cases in 2002 with no fatalities, but then in 2003 they had a "deluge of serious cases," in the hundreds. The four other human cases of WNV reported this year have been in Arizona, New Mexico, South Dakota, and Wyoming.

The states which have recently reported regular findings of positively infected birds over the last three weeks are: all of the above states, plus Michigan, Missouri, Oklahoma, and Virginia.

World Economic News

Default Fears Hit Russian Banking System

Two medium-sized Russian banks have recently defaulted on bonds and were shut down by the government, spreading concerns for a repeat of the 1998 crisis, when Russia defaulted on government bonds. Like Brazil, Turkey, and other so-called "emerging markets," the Russian banking system is now suffering from repatriations of foreign hot money. Furthermore, the Russian government has started to impose tighter money-laundering legislation.

The first victim, Sodbiznesbank, was shut down under the new money-laundering laws, and, as a consequence, defaulted on ruble-denominated bonds on May 25. When rumors spread that CreditTrust, another medium-sized Russian bank, was linked to Sodbiznesbank, investors withdrew money from CreditTrust and sent it into liquidation as well. In early June, CreditTrust therefore failed to meet its bond obligations.

Many more, and probably bigger, default cases are expected to erupt soon in the Russian banking sector. Russian banks are closing down credit lines to other Russian banks, meaning that liquidity in the interbanking market has disappeared. Usually, interbank interest rates in Russia are about 2% to 3%. But on June 8, this rate quadrupled, from 3% late on the previous Friday to 12%, while at some point in the day it even shot up to 20%. The Russian media is speculating about a blacklist of other troubled banks, which might be targeted by the government in the coming weeks.

Brazil Goes Back to Refinancing Dollar-Denominated Obligations

Brazil has gone back to refinancing dollar-denominated obligations, for the first time in more than six months, and is, thus, proceeding full-steam-ahead toward default. Last month, Brazil's Central Bank cancelled several debt auctions, because they were not willing to pay the interest rates "the market" demanded. Now, with June not half over, the Central Bank held an auction to sell dollar-swap credits, to roll over 40% of the over \$900 million of the swap credits which come due on June 17.

The decision reversed a seven-month policy of redeeming outright, all dollar-denominated bonds, as well as the dollar-swaps which companies use to hedge on the value of the real, when they came due. By not rolling over the debt, the bank reduced the percentage of its total public debt which is linked to the dollar, from over 37% about 18 months ago, to around 17% today, and cut the total dollar hedge contracts outstanding in half, from \$26.1 billion in November, to \$13.2 billion now. The government repeatedly held up those facts as "proof" that Brazil was no longer so vulnerable to a debt crisis.

In a floating-rate system, dollar-linked debt is the most vulnerable to fluctuations of a nation's foreign exchange—as Mexico found when the infamous tesobonos blew out in December 1994. Every time the national currency devalues, the value in local currency of the dollar-denominated debt soars, and if creditors demand payment, the Central Bank has to have enough foreign exchange to cover the outflow.

In response to the latest news from Brazil, the "markets" drove down the real again.

(Note: In a swap contract, the central bank pays investors an interest rate in dollars, and receives in exchange, an interest rate in local currency. When the contract comes due, the central bank owes investors money if the dollar-based rate returned more, including swings in the currency, than the local currency rate. The bank collects money from investors if the local currency rate returned more. In other words, it's a speculative hedge.)

British Households Buried in Debt

British households are in a far worse debt situation than either the government or Bank of England are calculating, according to new research from the Capital Economics think tank, wrote *Guardian* economics editor Larry Elliott June 7.

In April, net mortgage borrowing had risen 27% over April 2003; 60% over April 2002; and a "staggering" 131% over April 2001.

But mortgage debt is not the only debt burden on British households. The new Labour Chancellor is claiming that low interest rates make any repeat of the end-1980s crash impossible, but his calculations leave out financial reality.

Researcher Vicky Redwood of Capital Economics, reports that, while interest rates now are 4.25% rather than 15% in 1989-90, overall debt is much worse. If mortgage principal payments, credit card, overdraft and other unsecured debt repayments are added, "income gearing" is now much closer to 1989 levels. (Income gearing refers to the percent of profits eaten up by gross interest.) Current "income gearing" is at 19% rather than the 7% claimed by the government, because unsecured debt is growing faster than secured debt, Redwood reports. "If interest rates rise in line with market expectations to 5.25% by the end of 2005, and debt continues to rise at its recent rate, income gearing will surpass its 1990s peak by the end of 2004—in fact, income gearing (including repayments of debt) is already above the level at which household borrowing started to slow in the late-80s."

United States News Digest

Republican 'WASP' Establishment Abandoning Bush

The "WASP" establishment is voting "no confidence" in George W. Bush, commented a lifelong Republican Party insider about the report in the June 9 *Washington Post*, that Amb. Winston Lord had blasted the Administration's foreign policy. Lord, a Republican, whose "credentials" include being former Ambassador to China, Assistant Secretary of State for East Asia and the Pacific, and president of the Council on Foreign Relations (CFR), told his Yale Class of 1959 reunion that the Bush Administration's foreign policy is "incompetent" and "dishonest," and as a result, "America is less secure." He added that democracy "was given a bad name and our standing in the world was greatly diminished."

The Ambassador's observation was underscored by the appearance of a hard-hitting op-ed in the *New York Times* the following day, by Donald P. Gregg, one of the closest political associates of George H.W. Bush (see next item).

New York Times Makes Case for War Crimes Trials

On June 10, the *New York Times* published three carefully crafted op-eds under the heading "After Abu Ghraib," which, taken together, are a virtual indictment of the White House, Defense Dept. and Justice Dept. for war crimes.

First, an article by Donald P. Gregg, a 30-year veteran of the CIA, who was the National Security Advisor to Vice President George H.W. Bush, blasted the top levels of the current Bush Administration for pushing "sanctioned abuses." He writes that the memos of 2003 by "Bush administration lawyers" were "pushing aside longstanding prohibitions on the use of torture by Americans. These memos cleared the way for the horrors that have been revealed in Iraq, Afghanistan, and Guantanamo and make a mockery of administration assertions that a few misguided enlisted personnel perpetrated the vile abuse of prisoners."

He says that there is "nothing that can more devastatingly undercut America's standing in the world or, more important, our view of ourselves, than these decisions. Sanctioned abuse is deeply corrosive—just ask the French, who are still seeking to eradicate the stain on their honor that resulted from the deliberate use of torture in America."

Gregg uncharacteristically discloses that when he was CIA station chief in Seoul, South Korea, he had to make the personal choice to defy his now-deceased boss at the CIA, when he reported that South Korean intelligence had killed a university professor under torture. Gregg's boss told him to shut up, but Gregg said for the only time in his CIA career, "I disobeyed orders [It] is one of the things I am proudest of in my agency career. I also urge my listeners to do likewise if they find themselves in a similar position." Gregg writes that he tells this Korea story whenever he lectures to classes of CIA recruits, and that he received a "thank-you" letter for saying this just two months ago, at a CIA seminar—the thank you was from George Tenet, who just stepped down as Director of the CIA.

Article two, called "An American in the Hague," is by a senior editor of the CFR's *Foreign Affairs* magazine, Jonathan D. Tepperman, who takes apart the charge that "so far," the responsibility for the torture has fallen on "the seven court-martialed soldiers who were directly involved." Quoting the Administration's mantra that it was only a "few bad apples," and the top guys are not liable, Tepperman says, Oh, yes you are, and you might end up in the Hague. "Under the doctrine of command responsibility, officials can be held accountable for war crimes committed by their subordinates even if they did not order them—so long as they had control over the perpetrators, had reason to know about the crimes, and did not stop them or punish the criminals...."

This was the standard of the Allied forces at the Nuremberg tribunals, against Nazis who often "did not leave a paper trail"; this is the standard that the U.S. is insisting on in trials of the Serbian leaders in the International Court; and this is even the standard established by a U.S. Federal court in Miami, Fla., in 2002, when two El Salvadoran generals were

found guilty of torture, which they did not commit and did not order. These generals were the head of the National Guard and the Defense Minister of the country. Tepperman says that the issue—whether to prosecute these responsible higher ups, which he suggests would be "top members of the current administration"—is not a legal decision, but a political one,

The third piece, "Physician, Turn Thyself In," by M. Gregg Bloche, who teaches at Georgetown and Johns Hopkins Universities, urges, "investigate U.S. doctors who treated Abu Ghraib victims." The author cites press reports about how military doctors and nurses "examined prisoners at Abu Ghraib, treated swollen genitals, prescribed painkillers, stitched wounds, and recorded evidence of the abuses...." Instead of reporting these abuses, which they are required to do under international law, "too often they returned the victims of torture to the custody of their victimizers...." The article tells Congress to act "quickly" to obtain the medical records of these prisoners, and put the doctors and nurses on the spot—they know a great deal about what happened.

Dems Turn Up Heat on Cheney and Halliburton

While the Abu Ghraib war crimes scandal may have pushed the name of Halliburton off the front pages, the company's contracting in Iraq—and Vice President Dick Cheney's connection to it—has not left the radar screens of prominent Democrats in the House. Their concerns were further piqued by a report in *Time* magazine of an internal Pentagon e-mail that stated that "action" on the Halliburton oil reconstruction contract was "coordinated" with Cheney's office. The *Time* report spurred two new demands for investigations.

Rep. Henry Waxman (Calif), the ranking Democrat on the House Government Reform Committee, wrote to Secretary of Defense Donald Rumsfeld on June 1, demanding information on who reviewed and signed off on the contract awarded to Halliburton just days before the March 19, 2003 invasion; and all contacts between the Pentagon and the White House regarding that contract. Waxman wrote that the new information in the *Time* article "raises new questions about the testimony of senior Defense Department officials" before the Government Reform Committee during a hearing on March 11.

At that hearing, committee chairman Tom Davis (R-Va) asked each of the witnesses, one of whom was then-Pentagon comptroller Dov Zakheim, if any of them had had any contact with Cheney before any contract was awarded, and they all answered "no."

Rep. John Conyers (Mich), the ranking Democrat on the House Judiciary Committee, sent a letter, June 2, signed by 10 other Democrats, requesting that Attorney General John Ashcroft appoint a special prosecutor, "to investigate whether Cheney violated Federal criminal laws through his involvement in the award of a sole-source, no-bid contract for Iraqi oil recovery to his former employer, Halliburton." Conyers noted that Ashcroft's failure to do so, up to now, creates the appearance that the Justice Dept. "has become politicized and is acting to avoid any independent scrutiny of wrongdoing by the Administration." The law and the facts "dictate" that a special counsel be appointed, said Conyers.

General To Be Dumped from Military Intelligence Probe?

A request from Gen. John Abizaid, head of the U.S. Central Command (CENTCOM) is now on the desk of Defense Secretary Donald Rumsfeld, to *replace* Army Maj. Gen. George Fay, who is investigating the military intelligence side of the Abu Ghraib torture scandal. As reported previously, the Fay "investigation" is itself a coverup, whose purpose is to insure that responsibility for the torture of prisoners in Iraq falls on a few low-level personnel. The request to replace Fay originated with commander Gen. Richard Sanchez, who used the technicality that Fay did not have a sufficiently high rank to be able to question higher level officers, including Sanchez, himself. One report also said that Sanchez also wants to be taken out of any responsibility for the investigation.

However, none of this addresses two things: There is no investigation of the role of senior Administration officials (see [EIW InDepth, National lead this week](#)); nor are the private contractors involved in the interrogations being investigated.

House Panel Nixes White House on Mini-Nuke Funding

In serious blow to the first-use nuclear-weapons policy of Dick Cheney's cabal in the Bush Administration, a House Appropriations Subcommittee on Water and Energy session on June 9 refused to provide funding for development of nuclear bunker-buster bombs. The panel eliminated \$27.6 million for the bunker buster, \$9 million for mini-nuke research, and \$29.8 million for preliminary work on a trigger factory. And, adding insult to the White House's injury, the opposition came from Republicans.

Subcommittee chairman Rep. David Hobson (R-Ohio) said, "We put the brakes on a number of new nuclear weapons initiatives."

Stephen Young, an analyst at the Union of Concerned Scientists, which has been opposes the new nuclear weapons, commented, "The Bush Administration is laying the groundwork for recurrent nuclear testing and deployment of new nuclear weapons. This is a clear response from Republicans in the House saying we don't need that."

Senate Debates Mini-Nukes and Bunker-Busters

During debate, on June 2, on the fiscal 2005 Defense Authorization bill, Sen. Edward M. Kennedy (D-Mass) introduced an amendment that would prohibit funding for programs related to research on low-yield nuclear weapons or on so-called bunker-buster bombs. Kennedy warned that the development of such weapons "weakens our ability to ask other countries to give up their nuclear programs." He also argued that, despite claims to the contrary, the Bush Administration has every intention of developing such weapons. "All we have to do is look at the five-year budget the Administration has submitted," Kennedy said, to prove their intentions. That budget amounts to \$484 million for the bunker-buster and \$82 million for the low-yield weapon. The Massachusetts Senator said that the Administration's own timelines have these weapons moving towards development in 2007 and testing in 2009.

Sen. Jon Kyl (R-Ariz) first countered that language in the fiscal 2004 authorization act prevents the Administration from moving forward with development without the express permission of the Congress. Then he went on to argue for the military necessity of such weapons. He said the bunker-buster study is necessary to determine whether or not an existing nuclear weapon can be modified for use against deeply buried targets. "The current authorization will not result in a new or modified nuclear weapon," he claimed.

Further debate and a vote on the Kennedy amendment is scheduled for June 17.

Rumsfeld Won't Get His Blank Check

On June 2, Senate Appropriations Committee chairman Ted Stevens (R-Alaska) slammed the door shut on the Bush Administration's desire for "complete flexibility" on the \$25 billion in supplemental money it is asking for, for the wars in Iraq and Afghanistan. The original request gave the Pentagon discretionary authority to spend the entire \$25 billion as it sees fit, although it says that the money "may" be spent on various items, including operations and maintenance expenses incurred by the military services. During the hearing, Stevens expressed the fear that the Democrats would look at the request and label it a "blank check." He told the Administration witnesses that "I don't like the word 'may.' I'm going to change it to 'shall' use these funds for the designated purposes." Sen. Robert Byrd (D-WV) expressed enthusiastic support.

Later the same day, the Senate adopted unanimously, an amendment sponsored by Senate Armed Services Committee chairman John Warner (R-Va), to the Fiscal Year 2005 Defense Authorization bill, which specifies where the money is to be spent. Only \$2.5 billion, or 10%, is available for transfer, as opposed to the entire amount.

Ibero-American News Digest

Fitch: 'If Market Says Brazil Is a Dog, It Is'

"Brazil is still a prisoner of market sentiment. If the market says Brazil is a dog, then Brazil is a dog," Roger Scher, head of Latin American Sovereign Ratings at the British rating agency, Fitch, arrogantly told an investors conference in London on June 8.

Brazil will need to get some US\$33 billion in foreign financing in order to meet debt payments from now to December, and therefore, the Lula government should announce now that it will negotiate a new IMF program when the current package at the beginning of 2005, Scher asserted. "This would make us feel more comfortable." The Lula government would like to announce that it has "graduated" from needing IMF support before municipal elections in October, Scher added, "but we think that would be an error," because "market sentiment" would turn against them.

He named Argentina, Colombia, and Mexico as also vulnerable to "market sentiment."

Scher should know about "market sentiment." Fitch, along with Moody's and Standard & Poors, issues the credit ratings on governments and companies which determine whether their debts are bought or sold, and at what price. When top financiers want to rig the market in a certain way, they go to people like Scher to get the job done.

Brazil Development Bank Dumps 'Invisible Hand'; Returns to Strategic Planning

The National Economic and Social Development Bank (BNDES) has returned to a policy of state intervention, based on long-term "strategic planning of the economy," BNDES Vice President Darc Costa announced June 3. The model adopted by BNDES in the 1990s of "the invisible hand which does all," without state intervention, will be replaced by the concept which guided the bank before that: that it is important to plan the economy. BNDES will no longer act as the investment bank to which it had been reduced under the market model, but as the development bank which it was founded to be.

Costa declared: "As a development bank, we begin from the premise that we should be an active instrument of development, and that long-term planning of the economy is something important.... We are, indeed, more willing to take risks."

Rather than passively waiting for the private sector to present the projects for which "the market" wishes funding, the BNDES staff will produce annual, and triennial action plans, which set overall goals, and identify projects which must be built to boost production and resolve "structural bottlenecks" in economy as a whole, with a special emphasis on infrastructure, he said. BNDES loans will be differentiated, with lower interest rates and longer terms granted to areas where the need is greatest. And job creation will be made a priority.

Costa gave the hypothetical example, that should BNDES determine that the country needs to nearly double its steel-making capacity to 60 million tons a year, from its current 34 million tons, it would issue credits to those in the private sector willing to get the job done. By the same token, the electricity crisis of 2001-2002 exemplifies the effects of BNDES failing to plan, he said.

Strategic planning is now underway, Costa reported. BNDES's staff and executives have been divided into 43 working groups, assigned the job of "mapping" the economy, to prepare a plan of action by the end of 2004.

Brazil Defends Right To Develop Full Nuclear Cycle

Brazil wants to develop new partnerships with the United States, but a "strategic partnership" is not desirable, Brazil's new Ambassador to the United States, Roberto Abdenur, told a meeting at the Center for Strategic and International Studies (CSIS) on June 3.

Although the Ambassador did not say so, the concept of a "strategic partnership" in the history of Brazil-U.S. relations, is associated with Henry Kissinger's 1970s revival of the Teddy Roosevelt period, when Anglo-American interests used Brazil to enforce the financiers' policies upon its smaller neighbors. The special friendship developed between the two countries under Presidents Franklin Delano Roosevelt and Gertulio Vargas, provides a beautiful reference for how relations can improve today.

Ambassador Abdenur explained that he had played an important role in negotiating Brazil's strategic partnerships with Germany and China, which he described as project-driven platforms which inspire our relationships. There is no intrinsic reason for hostility between the U.S. and Brazil, but the asymmetry of power between us would make a strategic partnership uncomfortable.

The Ambassador defended Brazil's right to develop the full nuclear-power cycle, when questioned by an CSIS official about Brazil's uranium-enrichment program. Brazil is to begin operating the first of four modules of a nuclear enrichment plant which has been planned for 15 years, he said. All nuclear materials in Brazil are under international safeguards, and Brazil is committed to the peaceful use of nuclear energy. Brazil has every right to its plans, Abdenur said. It intends to supply its own power plants, and to enter the growing global market for low-enriched uranium for nuclear power.

The International Atomic Energy Agency (IAEA) insists on its right to have a broader look at the machinery used in Brazil's uranium-enrichment process, but Brazil considers this proprietary information, he said. Abdenur did state, however, that the plant will not begin operating until credible IAEA safeguards are in place, which means that full functioning of the plant, planned for May, has been held up, de facto, by the accelerated drive of the Cheneyacs to place nuclear power worldwide under world government control.

Electronic Voting Scandal Looms in Venezuela Recall

The Venezuelan Electoral Council announced on June 4 that the opposition had succeeded in collecting the required 2.4 million signatures favoring a recall referendum against Venezuelan President Hugo Chavez, and the referendum was scheduled for Aug. 15. If more voters vote to remove Chavez than the 3.76 million who elected him to a six-year term in 2000, new elections are to be called within 30 days of the referendum results. The divided opposition, thus far able only to unify around their opposition to Chavez, would then face the reality that to defeat the mentally unbalanced President, they require a positive program to offer the country, and a single candidate behind whom to rally.

While there is some debate over whether Chavez could win the referendum, there is little question that he will not go easily. In a televised speech, hours after the figures were released, Chavez announced, "I accept the challenge. We're ready for the Presidential referendum. The battle has just begun. The game starts now."

The three Chavezista members of the National Electoral Council quickly announced that the referendum will be tallied on

touch-screen computers supplied by the Bitza corporation, which the Chavez government happens to have a 28% financial stake in! It turns out that Bitza, founded by a Venezuelan engineer, was on the verge of bankruptcy in 2003, when a venture capital fund called SBC, a wholly-owned creature of the Chavez government, poured in a lot of money to revive and control it.

The two anti-Chavez members of the five-man electoral council protested. One of them, Ezequiel Zamora, said the council's 3-2 vote in favor of using these particular machines and prohibiting a parallel hand-count of the voting slips the computers generate, was "extremely grave," and would cast "serious doubt" on the results.

Smartmatic, also founded by a Venezuelan engineer, is the Florida-based company which will supply the Italian-made computerized voting machines. The executive boards of Bitza and Smartmatic are, apparently, interchangeable.

U.S. Presidential candidate Lyndon LaRouche has called for the use of electronic voting machines to be banned in United States elections, given the well-documented ease with which the vote results can be rigged.

Uribe Opens Negotiations with ELN Narcoterrorists

Mexico will help mediate negotiations between the Colombian government and the largely defeated, Cuba-linked National Liberation Army (ELN) terrorists, at the request of the Uribe government in Colombia, both governments announced at the beginning of June. President Alvaro Uribe, who is seeking a second term of office and who is pushing for a constitutional amendment to make that possible, is anxious to conclude an easy peace pact with the ELN, in hopes of proving that his "hard line" against terrorism is "flexible." The leadership of the ELN, alleged to be "5,000 strong," is largely in jail already.

The Mexican government is preparing a list of "experts" to sit on the mediation panel; these experts are to be drawn from prominents with experience in mediating previous "conflicts" such as El Salvador and Guatemala. The Uribe government must approve the proposed mediators, but so too must the ELN, which is being represented by jailed spokesman Francisco Galan. Galan was released from jail on June 4, for a 24-hour period, during which he met with the Mexican Ambassador to Colombia and with Colombia's Vice President Francisco Santos.

The largest of the three narcoterrorist forces operating in Colombia, the FARC, has shown no interest in participating in these talks, and is—according to various analysts—laying low, rebuilding its forces, and waiting for Uribe's term to end.

Ibero-American Leaders To Create Joint Oil Company

The Presidents of Bolivia, Brazil, and Argentina will meet to discuss the creation of a joint state oil company, Petro-America, Bolivia's Foreign Minister, Juan Ignacio Siles, announced on June 9. The three—Carlos Mesa, Lula da Silva, and Nestor Kirchner—are to meet on July 5, in Bolivia, to debate how this might be done. The project is reportedly the brainchild of Carlos Lessa, the head of Brazil's National Economic and Social Development Bank (BNDES), who originally proposed that Venezuela's state company, PDVSA, and Brazil's Petrobras unite. Venezuela is part of the project, but Venezuelan President Hugo Chavez apparently has not been invited to the Bolivian meeting, or could not attend.

Both Bolivia and Argentina have recently announced plans to revive their state-sector oil companies, which were largely privatized in the great rape of the region in the 1990s.

Bolivian President Mesa has called a referendum for July 18, on his plans for the state to gradually retake control of the nation's huge energy resources, but the Soros-backed coca growers and other desperate Jacobin forces oppose the

referendum, saying the oil and gas industry should be immediately nationalized wholesale, and Mesa should be overthrown for refusing to do so.

Russian President Vladimir Putin Visits Mexico

President Vladimir Putin paid a state visit to Mexico June 7-8, the first Russian head of state to do so, since Russia and Mexico established diplomatic relations in 1891. The central issue of the visit appears to have been discussion of opening up Mexico's power industry to foreign investors.

The two Presidents announced that Russia would build a plant to repair and assemble helicopters in Mexico, and plans would move ahead for a second plant to assemble heavy construction equipment and military materiel. In recent years, Mexico has begun buying military helicopters from Russia, which now need repair.

Putin called these projects "concrete and interesting, but small." What Russia is really interested in, is investing in Mexico's energy sector, he said, mentioning that a Russian company had won an auction, along with its partners, for the construction of an electrical plant in Mexico, and that last year, Russia signed an accord to supply Mexico with nuclear materials. He offered Russian investment and expertise in developing liquid natural gas plants in Baja California.

Mexico's Constitution establishes that the nation's power resources and industry are strictly under national control, a mandate which the Fox government has violated by every scheme it can get away with. Putin joined Fox in calling for a greater liberalization of Mexico's energy sector, to open it to foreign investors. Fox took the occasion to rant against the nationalist opposition which has blocked efforts to change the Constitution, to permit this foreign looting, lamenting that Mexico is the only hold-out, "as Chile, Brazil, Argentina, Cuba, Russia, the U.S., Canada, all of Europe, and all the other countries operate under a system of total openness to investment."

Western European News Digest

British Labour Suffers Worst Election Defeat in Decades

British Prime Minister Tony Blair's Labour Party suffered a "kicking" in local council elections in England and Wales, because of opposition to the Iraq war, John Prescott, Labour Deputy Prime Minister, had to admit June 11. Blair himself, who was at the G-8 summit in Georgia earlier in the week, admitted that Britain's role in invading Iraq had cast "a shadow" over the elections, but he claimed his government's record on the economy and jobs, "would stand us in good stead." In reality, the British economy is a ticking, trillion-pound debt bubble ready to blow.

Labour, still the ruling party in Britain, fell to *third place* in vote share, in local elections, its worst results in living memory. This is the first time a ruling party came in third in local elections. Results from 144 of 166 councils, show Labour lost 406 seats, from the 2,737 they held before and lost control of seven councils so far.

BBC projections on the basis of 300 key wards, put the Tories in first place with 38% of the vote, Liberal Democrats with 30%, and Labour 26%! Liberal Democrats have consistently opposed the war in Iraq.

The elections include governments of a number of large cities. In the election for Mayor of London, popular Ken Livingstone is in a race too close to call against his Tory opponent. Livingstone was kicked out of the Labour Party in 2000, for running against the official nominee, and rejoined before this election.

Voter turnout for the polls—which include the European Parliament, which results will be released on June 13—was low at 40%, but up 9% from the last local elections.

So far, the Tories have gained 208 seats, up from the 1,426 they already held, and won control of several important councils. The Liberal Democrats so far won 111 more seats from the 1,139 they already held. Labour's Home Secretary, David Blunkett, had to admit to BBC Radio 4, that the Iraq war had "split" the Labour Party and public opinion in Britain. "I'm mortified that we're not doing better than we have done. We know it has been a bad night, but we are obviously going to have to present the facts as they are."

Labour has lost a number of its key cities, including Newcastle, which it ruled for 30 years, to the Liberal Dems. This is very important, because the core "New Labour" crew, including Blair, Peter Mandelson, Steve Byers, and Alan Milburn, are from northeast England, where Newcastle is the biggest city.

Tony Blair Delusional To Persist on Iraq WMD

UN Weapons Inspector David Kay mused that British Prime Minister Tony Blair must be "delusional" to continue to insist, as he did the first week in June, that WMD could still be found in Iraq, the London *Guardian* reported June 6. "Anyone out there holding, as I gather Prime Minister Blair has recently said, the prospect that the Iraq Survey Group is going to unmask actual weapons of mass destruction is really delusional. It's amazing that occasionally they slip back into talking about it. The problem is the unwillingness to take the responsibility of saying a few simple words: "We were wrong."

UK Elections Seen as Referendum on Bush-Cheney

The disastrous election results for Tony Blair's Labour Party must be seen as a referendum against the entire Blair-Bush-Cheney complex, rather than just local election results, a leading British Atlanticist, himself a Labour Party activist, commented to *EIR* June 11.

The source said: "The results we see from yesterday's local elections are atrocious for the Labour Party, but more than local issues are involved. I was canvassing votes for Labour yesterday, going house to house, and what I was told in one out of every two houses, was, 'Get rid of Blair, and I'll vote Labour.' In many houses, I was met with attacks on Bush, as well. So this election yesterday amounted to a referendum on the Blair-Bush relationship."

When asked about Cheney, he responded. "You should know that I am picking up significant soundings from *Republicans*, that Cheney should be dumped. This is what my contacts in Republicans Abroad, here in Britain, are saying."

Normandy Commemoration Highlights Franco-German Ties

French President Jacques Chirac strongly stressed the importance of friendship between France and Germany, 60 years after the June 1944 Allied invasion—especially at a separate Franco-German event with Chancellor Schroeder in Caen, in addition to the general commemorative event with 16 other heads of state and government at Arranches.

Chirac said, both in Caen, and in interviews with French TV and NBC-TV, that "war is never a good way of solving problems," that cooperation between France and Germany proves that "even after the worst wars, reconciliation is possible," that "hate never offers a future, and there is always a way for peace." Without once mentioning Iraq, Chirac's message was clear.

Also notable is France more prominently than ever before highlighted the existence of the German resistance to the Nazi regime, at an official event of this kind.

Schroeder Plan To Discuss Strategic Oil Reserves with Bush

Several media leaked that German Chancellor Gerhardt Schroeder would take the occasion of a bilateral meeting with President George W. Bush at the June 8, G-8 meeting to discuss the oil-price crisis. Schroeder believes that present U.S. oil-market activities are contributing considerably to the drastic increase of the oil price, in particular, the building up of a strategic oil reserve in the U.S. According to the leaks, Schroeder was to tell Bush that if the U.S. keeps buying up gasoline at Rotterdam, it will have a disastrous effect on the German and European gasoline market.

Schroeder, in general, opposes state intervention to lower the oil price, but, he thinks any intervention that keeps oil prices high should be avoided

Successful Prisoner Swaps of Europeans in Iraq

Coalition forces in Iraq succeeded in freeing three Italians and a Pole, in a bloodless operation, Lt. Gen. Ricardo Sanchez announced June 8, according to Radio Free Europe. There was no exchange of fire in the operation, which was welcomed by Italian Prime Minister Berlusconi, who also paid respects to a fourth Italian, who was killed in captivity earlier.

However, seven Turks were kidnapped, and their captors paraded them, and claimed they had been kidnapped because they worked for Americans. They threatened companies cooperating with U.S. forces with more attacks, according to a videotape obtained by AP TV news.

Bilderberger Oligarchs Signal New Oil Shock

"We are always at risk of a shock on the markets," was the message delivered by the elite Bilderberger annual meeting in Stresa, Italy, June 3-6. Italy's *Corriere della Sera* reported briefly June 5 that the likes of Peter Sutherland of Goldman Sachs; John Brown of British Petroleum; and Jeroen van der Veer of Royal Dutch Shell, "made clear to the participants that there is a risk of a new oil shock much worse than the one that hit the West in 1973."

The June 3-6 meeting marks the 50th anniversary of the exclusive group, including such names as Rockefeller, Rothschild, Kissinger, as well as a number of royals.

Four European Countries in Coordinated Anti-Terror Raids

Coordinated raids in northern Italy, France, Spain, and Belgium contributed to the arrest June 8 of Rabi Usman Sayed Ahmad, also known as "Muhammad the Egyptian" (even though he is a Moroccan national) by Italian authorities. He is said to be one of the masterminds behind the massive March 11 Madrid train bombings.

Muhammad was arrested on a warrant issued by Spanish judge Juan Del Olmo, who is leading the investigation of the bombings. A second man, 21-year-old Palestinian Yahia Payumi, who owned the apartment rented to Mohammed, was also arrested. *La Repubblica* reported that three or four men had been arrested in three Northern towns, including Milan, who were thought to be planning new attacks.

Italian Media Call On Kerry To Back Torture Probe

Multiple Italian media covered U.S. Presidential candidate Lyndon H. LaRouche's call for candidate John Kerry to back a full investigation of the tales of torture coming out of Iraq, Afghanistan, and Guantanamo, Cuba.

On June 9, AISE, an Italian international press agency, and Osservatore Politico Internazionale (OPI), both based in Rome, published LaRouche associate Paolo Raimondi's statement reporting that six Democratic members of the U.S. House of Representatives have called for a Congressional investigation on the tortures.

The statement quotes candidate LaRouche saying: "I challenge Kerry to show some courage. He has to immediately endorse the Commission. The next phase of the election campaign will have more Watergate characteristics, primarily against Cheney." The note invites Italian politicians to stop playing pro- and anti-USA games and to learn the strategic importance of this campaign.

Europe Reconsiders Nuclear Power

In several interviews over recent days, Hans Haider, head of the *Verbund* (industrialists) of Austria, said because of the uncertainty of oil and gas prices, nuclear power will experience an upsurge of interest in Europe.

While he is rather skeptical whether Austrians can overcome their opposition to nuclear technology, Haider said other European countries could be expected to build new nuclear-power plants.

In Germany, Friedrich Merz, deputy head of the parliamentary group of the Christian Democrats, said that the "exit from nuclear technology was wrong," that answers as to how new power plants can be built to be available after 2010, have to be found now, not 10 years from now.

Austrian Journal Gives Thumbs Up to Fusion Power

The June 10 issue of the Austrian *Profil* weekly ran a lengthy article on the technology of thermonuclear fusion and the perspective for the long-delayed ITER pilot project.

"The dreams of thermonuclear fusion, the solar energy on Earth, are becoming more real than ever, with rising oil prices and globally increased demand. The Iraq War and the terror attacks in Saudi Arabia have opened the eyes of the world to how vulnerable the oil lifeline is. All of a sudden, the world talks about new nuclear power plants. China wants to quadruple its nuclear power by 2020. Also in the USA and in Europe, new nuclear power plants will be built."

But scientists are already working on a cleaner and even safer alternative to fission, namely fusion, quoting Harald Weber of the Nuclear Institute of the Austrian Universities, saying that the technological problems posed in the past have been solved, so that fusion can be tested now: "We are convinced that such a facility would work."

The problems now, are more of a political, rather than an ideological nature, Weber said, referencing the politically motivated struggle over the ITER project between the U.S.-Japanese camp and the Euro-Russian-Chinese camp. Important pioneer work for the ITER has been done in Russia, with the Tokamak reactor, and in Britain, with the European JET reactor, therefore, the ITER should be built in Europe, Weber insisted.

Russia and the CIS News Digest

Putin Questions U.S. 'Democracy Injections' Agenda

Reporting from the G-8 Summit on June 9, Russian state television said the Russian delegation had voiced strong doubts about U.S. proposals for "injecting democratization" into North Africa and the Mideast in order to promote "civil society," which, in turn, would allegedly prevent terrorism. At the close of the summit the next day, President Vladimir Putin warned that it would be unacceptable to interfere in countries' internal affairs, under the pretext of the "democratization" called for in the U.S. scheme. According to Putin, terrorism is rooted in, first of all, "poverty, destitution, and inequality," and additionally, in funding that gets into the hands of terror-promoting groups.

Concerning the (U.S.) push for NATO to take a role in Iraq, Putin ironized that maybe it would be a good idea, because "it would give them something to do, which might make the situation easier for us." But, he said, the United Nations should be the institution to anchor a stabilization process in Iraq. After his bilateral meeting with President George Bush on June 8, Putin called the new UN Security Council resolution on Iraq "a big step forward." But he remained cool towards U.S. behavior overall, "defending" Bush against criticism from "the Democrats": Putin said, "Bush's political opponents have no right to criticize his policy in Iraq, since they conducted the same policy towards Yugoslavia."

Russian TV Shows G-8 Summit As Clown Show

A June 9 report by the Vesti program on Russian state TV, from the Sea Island, Georgia (USA) G-8 summit, dramatized the goofiness of the event's staging by host George W. Bush. The Russian correspondent told how the press corps had been ordered by the Americans to shed their ties and dress casually. Then Vesti showed footage of Bush whizzing up to his villa in a red, white, and blue four-wheeler, getting set to receive other heads of state as they arrived in the same style: "First came Gerhard Schröder like a race-car driver [German four-wheeler shown cutting a sharp turn, with the Chancellor at the wheel]; then the Japanese, with Koizumi, however, riding in the back seat; Vladimir Putin led an entire Russian convoy of carts, with himself behind the wheel of the lead vehicle; but, most shocking was President Jacques Chirac of France, who arrived on foot [group of French diplomats shown, striding along in the heat] and wearing a suit and tie, leaving others to speculate if this were a matter of protocol, the eternal French sense of style, or a statement. Bush kept needling the French President, 'Jacques, aren't you hot?'"

From there, the Russian report went on to note that, when it came to American demands for statements on the "Mideast," Chirac was not alone in his disagreement, but was joined by Germany and Russia on various points.

Earlier, Russian TV footage showed Bush making a fool of himself as he met the small number of "Mideast" leaders who accepted his invitation—"using his own special greeting for kings, 'Hey, Your Majesty, how's it goin'?"

Pentagon Campaigns For Ukraine-NATO Connection

The U.S. Department of Defense has been trying to drum up interest in Ukraine, in a bid to join NATO, according to a Ukrainian military officer stationed in the United States. The Ukrainian government, however, has been unresponsive to such probes, while Ukrainian officials perceive the State Department and other U.S. government agencies as realizing the folly of such a move. There may be some interest on the part of Ukrainian military circles, the source said, since many within the Ukrainian military are unhappy with the country's "buffer" role between Russia and the West.

Academician Lvov Promotes Cooperation With China

At a June 1 press conference, after a meeting of the social sciences department of the Russian Academy of Sciences, held in the Russian Far Eastern city of Khabarovsk, Academician Dmitri Lvov said that Russia must shape its policy, "by taking

into account the obvious successes the Chinese economy has been displaying of late.... China's leading place in Russia's economic policy in the Asia-Pacific region [and Russia's] long-standing partnership with [China] will enable Russia to receive considerable economic advantages." The same orientation was also expressed in the resolutions adopted by the session in Khabarovsk on June 1. Academician Lvov is academic secretary of the economics department of the Academy.

Default Fears Hit Russian Banking System

Two medium-sized Russian banks have recently defaulted on bonds and were shut down by the government, spreading concerns for a repeat of the 1998 crisis, when Russia defaulted on government bonds. Like Brazil, Turkey, and other so-called "emerging markets," the Russian banking system is now suffering from repatriations of foreign hot money. Furthermore, the Russian government has started to impose tighter money-laundering legislation.

The first victim, Sodbiznesbank, was shut down under the new money-laundering laws, and, as a consequence, defaulted on ruble-denominated bonds on May 25. When rumors spread that CreditTrust, another medium-sized Russian bank, was linked to Sodbiznesbank, investors withdrew money from CreditTrust and sent it into liquidation as well. In early June, CreditTrust therefore failed to meet its bond obligations.

Many more, and probably bigger, default cases are expected to erupt soon in the Russian banking sector. Russian banks are closing down credit lines to other Russian banks, meaning that liquidity in the interbanking market has disappeared. Usually, interbank interest rates in Russia are about 2% to 3%. But on June 8, this rate quadrupled, from 3% late on the previous Friday to 12%, while at some point in the day it even shot up to 20%. The Russian media is speculating about a blacklist of other troubled banks, which might be targeted by the government in the coming weeks.

Protests in Russia Against Slashing of Benefits

There were demonstrations throughout Russia on June 10, ranging from 1,500 people in Moscow to larger crowds in some provincial cities, against the legislation now making its way through the State Duma, which will change the country's system of social benefits. Millions of pensioners, veterans, and disabled stand to lose their free access to public transportation, rent subsidies, etc., in exchange for cash payments. The fear is that the small increases in their pensions and stipends will be dwarfed, as the government also moves to raise utilities prices towards so-called "world levels," as long demanded by foreign financial organizations.

The *Moscow Times* of June 11 wrote that "pensioners and the disabled ... fear that the proposed 800 to 3,500 ruble monthly supplement to pensions and allowances will not cover the value of privileges they now receive.... They are worried that the cash allowances will not keep pace with hikes in charges for electricity and gas supplies, as Russia seeks to meet its commitments to the European Union on energy prices, agreed to last month as part of the negotiations for its accession to the World Trade Organization. The average monthly pension is now 1,760 rubles (\$60)—less than the official poverty line of about \$75 per month."

Organized by the generally ineffective Federation of Independent Unions, today's rallies were small, compared with protests over wage arrears some years ago. But, wage protests have also resumed recently, in the mining areas of central Siberia. A woman hunger striker died there on June 9.

Historian Recalls 'Operation Bagration' on WWII Eastern Front

The truly decisive battle for the liberation of Europe began 60 years ago this month, wrote American history Prof. Mike Davis in the London *Guardian* of June 11, but he was referring to Belarus (then Soviet Byelorussia), not Normandy. It was

named Operation Bagration by the Soviets, after the great military hero of the War of 1812 against Napoleon Bonaparte. The World War II battle began when a Soviet guerrilla army, including many Jewish refugees and escapees from concentration camps, began a surprise attack to the west of the German Army Group Center on the Eastern Front, cutting its links to Poland and East Prussia.

Then, on June 22, 1944, the third anniversary of the Nazi invasion of the Soviet Union, Marshal Georgi Zhukov sent 1.6 million Soviet soldiers in a 500-mile-long front against the strongest concentration the Wehrmacht had in all Europe. This was what the late historian, Prof. John Erickson, called a "great military earthquake." By the end of the summer, Operation Bagration had driven the Wehrmacht back into Poland, and engaged the elite Panzer (tank) and other forces of the Wehrmacht—so that the British and American troops in Normandy did not have to face them.

The Wehrmacht had some 53 divisions facing the Normandy invasion, but over 180 divisions, of much greater operational strength, on the Eastern Front! But the Soviets adopted and perfected the same Wehrmacht tactics of Barbarossa, and defeated the German armies.

The Soviet summer offensive was several times larger than Operation Overlord, Davis wrote. It followed the great Soviet battles of Stalingrad (August 1942-February 1943) and Kursk, (July 1943)—the greatest tank battle in history. By the end of Operation Bagration, the road to Berlin was already open.

German losses were far greater in the East: Some 70% of German soldiers were killed on the Eastern Front, not the Western. Some 40 Soviet soldiers died for every one American soldier, Davis wrote. At least 27 million Soviet soldiers and citizens were killed. (John Erickson put the toll, including of Stalin's relocation of Soviet industry, up to 40 million.) These Soviet soldiers are not being celebrated in the "D-Day" commemorations, Davis wrote, and that is wrong. Misconceptions about the Red Army must be clarified. It saw itself—for good reason—as "the greatest liberation army in history." It was universal: "Three of the generals who led the troops in Bagration were a Jew (Chernyakovsky), an Armenian (Bagramyan), and a Pole (Rokossovskii)."

After U.S. President George W. Bush decided to use D-Day to commemorate his war crimes in Iraq and Afghanistan, Prof. Davis wrote, he decided to commemorate his own uncle, a Normandy veteran, and "his comrade Ivan."

President Putin Visits Mexico

See **Ibero-America Digest** for coverage of the Russian President's history-making state visit to Mexico.

Southwest Asia News Digest

Sistani's Challenge to Constitution Forces U.S. Backdown

Iraq's supreme Shi'ite spiritual leader, Grand Ayatollah Ali al-Sistani, issued a stern threat to the UN Security Council, and forced the Anglo-Americans to abandon support for the illegal provisional "constitution." Sistani's message was sent in open letter to the chairman and members of the Security Council June 7, warning them that the inclusion or even mention in any new UNSC resolution of the Transitional Administrative Law (TAL) would lead to "dangerous consequences." The TAL, drafted under the occupation and its influence, is regarded by some as a new "constitution" to be included in discussions of the permanent constitution after the interim period.

Al-Sistani's message read: "We have been informed that there are those who are attempting to mention the so-called

"Transitional Administrative Law" in the new UNSC resolution concerning Iraq, in order to give it international legitimacy. "This 'Law' was drafted by a non-elected council under the occupation and through direct influence from it [the occupation], and it would bind the national congress that will be elected in the beginning of the next year to establish the permanent constitution of Iraq. This matter is in contrast to all laws and is rejected by most members of the Iraqi people. Therefore, any attempt to give legitimacy to this 'Law' through mentioning it in the international resolution would be regarded as an act against the Iraqi people, and would be a foreboding of dangerous consequences."

Al-Sistani thus reiterated his position that any law or regulations or government created under the occupation is null and void, and will not be taken into consideration after the end of the occupation. The TAL included major changes in the Iraqi social and political structure, turning Iraq into a federation of regions, dividing the country into ethnic or religious regions, and giving the Kurds an independent status and veto on future Iraqi constitutional deliberations.

LaRouche Says Iraq Already Has a Constitution

The 1958 Iraqi Constitution is the only legitimate starting point for the Iraqi people, as they work to establish a workable government, said Democratic Presidential precandidate Lyndon LaRouche on June 9, following the UN vote on Iraq. Not until the Iraqis have established a representative government of their own, can they set up a legitimate process through which to form a new Constitution. Until then, the 1958 Constitution is it.

Instability Remains After UN Vote on Iraq

The United Nations vote for a resolution accepting the interim government of Prime Minister Ayad Allawi as "sovereign," did little to help President George Bush's standing in the United States, or internationally.

The Security Council voted unanimously June 8 to adopt a U.S.-British resolution that formally ends the occupation of Iraq on June 30 and authorizes U.S.-led troops to keep the peace. There were five drafts before one was finally accepted, with the final one giving the "sovereign" Iraqi government the power to ask the U.S. military occupation force to leave their country.

Control of the 160,000 U.S.-led troops was the most contentious issue, for which the resolution authorizes a multinational force, under American command, to "use all necessary measures" to prevent violence. The U.S. pledged, in a letter from Colin Powell appended to the UNSC resolution, a military "partnership," and coordination with Iraq's leaders, but did not agree to give Baghdad a virtual veto over major military offensives as France, Germany, Algeria, and others had wanted. The resolution gives the Iraqi interim government the right to order U.S. troops to leave at any time and makes clear that the mandate of the international force would expire by the end of January 2006.

A letter from the interim Prime Minister is also appended to the resolution, which virtually returns "sovereignty" to the United States. In his letter, Allawi allows the military command decisions to stay with the United States, using the excuse of security, which Allawi references in saying there continue "to be forces in Iraq, including foreign elements, that are opposed to our transition to peace, democracy, and security." But, of course, Allawi gave up Iraq's right to make the military decisions—as demanded by the U.S.—so that whatever insane "war on terrorism" mandate comes from the Bush Administration, including targeted assassinations, will continue, with the Iraqis being allowed to stop it.

A well-placed Arab journalist told *EIR* that Allawi is considered "a joke," for making Iraq remain an occupied country. In the eyes of many of the intelligentsia in the Arab world, Allawi's letter actually says to the UN: We appreciate your intention, but we really don't *need* to control what military forces occupy our country. This does not endanger our sovereignty.

The resolution calls for elections no later than Jan. 31, 2005. The U.S. military occupation, euphemistically referred to in the resolution as the "multinational coalition" will have to leave *no later* than January, 2006.

Meanwhile, in order to implement this continued U.S. military occupation, thousands of additional U.S. Army troops were informed that they will be returning to Iraq, even though their tour of duty just recently ended; and under the Army's "stop-loss" policy, individuals who completed their terms are not allowed to retire at present because the United States does not have sufficient troops to both remain in Iraq and rotate personnel.

What Colin Powell Said

The letter from Iraqi Prime Minister Ayad Allawi to the UN Security Council, was, in reality, an appendix to a letter from the U.S. government via Secretary of State Colin Powell which says that the multinational force (in reality the U.S. occupation as stands in Iraq now) stands ready "to counter ongoing security threats posed by forces seeking to influence Iraq's political future through violence. This will include combat operations against members of these groups, internment where this is necessary for imperative reasons of security, and the continued search for and securing of weapons that threaten Iraq's security." Powell also commits to provide security for UN personnel and installations. This will require a brigade-size force, he says.

The letter from Allawi basically said, "I agree."

There are several significant problems looming for the U.S. after the UN vote:

*George W. Bush's request to have NATO lend a hand in Iraq by providing more troops, resources, etc. is being rebuffed by the leading NATO members, with the French government taking the lead;

*the U.S. military has little credibility in the wake of the Abu Ghraib torture expose, especially since the same command personnel are still in place — both in Washington, D.C. and Baghdad;

*Colin Powell, whose letter defines the U.S. military role has little credibility in the international community, and especially in the UN Security Council, after it was exposed that he delivered a lying, inaccurate, amateurish diatribe against Iraq on the question of an "imminent" threat from Saddam Hussein's WMD, in his February, 2003 briefing to the UN.

Kurds Object To UN Resolution

The two major Kurdish leaders in Iraq, Masoud Barzani and Jalal Talabani, issued an open message to the UN Security Council, warning that if the Transitional Administrative Law (TAL) was not regarded as a valid constitution with the special Kurdish rights in it acknowledged, they would withdraw their representatives from the Iraqi provisional government. Barzani stated that "those who are calling for abandoning the TAL will have to be take responsibility for all the consequences regarding the unity of Iraq," and threatened that abandoning that "law" would endanger the unity of the country. He also said that this "would put in jeopardy the fate of the Kurdish people," and that "it was this law that kept the Kurds recently within a unified, federal and parliamentary Iraq." This was interpreted widely as a threat of secession.

In response to this Kurdish threat and in support of Al-Sistani, thousands of Iraqis demonstrated in Baghdad on June 8 —before the final UNSC vote began— to show their support of Al-Sistani and rejection of the inclusion of the TAL in the resolution.

For the time being, on June 9, interim Prime Minister Allawi told the Kurds that his temporary government will respect the TAL until elections bring in a new Iraqi government.

Mainstream U.S. Church Leaders Opposing Backing For Sharon's Violence

On June 1, a letter to the Bush Administration, was delivered to Secretary of State Colin Powell personally, by a group of 26 religious leaders — Christians, Jews, and Muslims — called the "National Interreligious Leadership Delegation in Support of the Road Map to Peace in the Middle East," who represent over 100 million members. The White House has been consistently blocking any direct meetings with Bush by leaders of mainline churches (even Bush's own nominal affiliation, United Methodists); instead, the Christian Zionist rightwing are given regular White House audiences.

This meeting with Powell followed up on a November 2003 letter to President Bush, and a Dec. 2, 2003, news conference in Washington, D.C. On May 7, 2004, fifty leaders of mainline religious entities, delivered a co-signed letter to President Bush, specifically objecting to the Israeli barrier wall.

A statement released June 1 by the group said, "Unless the United States makes the Road Map and Israeli-Palestinian negotiations an urgent priority now, the cycles of violence will jeopardize prospects for a two-state solution further alienate our European and Mideast Arab allies, exacerbate conflict in Iraq, and increase the terrorist threat to the United States."

Some of the other points made in the June 1 letter, principally calling for sending a U.S. envoy immediately:

* Objection to "the destructive impact of Israel's settlement policy, separating village from village, confiscating more and more Palestinian land."

* Need for a U.S. commitment "to a negotiated end of military occupation by Israel"

* Condemning the use of F-16 fighter jets against civilians, as "unacceptable and must be challenged by the U.S. government."

* Call for a "negotiated sharing of the Holy Land and the city of Jerusalem." It would be destructive to move—as called for by Congress, the U.S. Embassy from Tel Aviv to Jerusalem."

Asia News Digest

Chinese Railway Workers Killed in Afghanistan

About 20 armed men stormed into a compound housing Chinese workers on the night of June 9, in Kunduz province, about 250 km north of Kabul, Afghanistan, and opened fire, killing 11 of them. The Chinese workers are employed by the China Railway Construction Shisiju Group Corp., and were sleeping at the time of attack. Chinese President Hu Jintao has condemned the slaying as "inhuman," but said it would not halt his country's participation in the reconstruction of war-torn Afghanistan. This is the first attack reported on the Chinese workers in Afghanistan.

Afghan interim President Hamid Karzai, who was visiting the United States at the time of the killing, called it an act of enemies of Afghanistan. However, the location of the killing raises the question: Who were these enemies? The Taliban

denied responsibility, explaining that China is not a target of their anger, since that nation has not sent troops to Afghanistan in support of the United States or Hamid Karzai.

On the other hand, Kunduz had long been the stronghold of the Northern Alliance, and of the Uzbek-Afghan warlord Abdur Rashid Dostum, in particular. It was in Kunduz that Dostum had slaughtered about 800 Pushtuns, suspected to be Taliban, in the winter of 2001.

In addition, areas surrounding Kunduz have been projected as among the most stable areas in Afghanistan, with the pro-Taliban militants more active in southern and central Afghanistan. Kunduz is the only city in Afghanistan where the International Security Assistance Force (ISAF) has deployed peacekeepers outside Kabul.

Pakistan Faces Bloody Summer, as September Elections Approach

As Afghanistan's interim President Hamid Karzai, under intense pressure from the Bush Administration, continues with preparations for the Presidential and Parliamentary elections in September, anti-U.S and anti-Kabul militants, represented by the Taliban, al-Qaeda, foreign mercenaries from Uzbekistan, Chechnya, Dagestan, China's Xinjiang province, and various militant Islamic groups within Pakistan, have chosen to intensify violent activities to stop the elections.

On June 10, Lt. Gen. Ahsan Saleem Hayat, army commander of Karachi and a senior Pakistani General, was the target of an assassination attempt by the militants. Armed gunmen moved into the army convoy carrying the general, and killed seven bodyguards and three Karachi policemen accompanying the convoy. Karachi is now wholly unstable and virtually at the mercy of the militants. In the month of May alone, at least 65 people have been killed in Karachi in terrorist acts. According to Pakistani intelligence reports, the militants are now getting ready to start a bloody campaign in Peshawar, the city that borders Afghanistan.

The Peshawar operation will most likely be run by those militants who are now engaged in battles against Pakistani troops in the Federally Administered Tribal Areas (FATA), bordering Afghanistan. In a battle which lasted more than two days (June 9-10), foreign mercenaries from Chechnya, Uzbekistan, Dagestan, and China's Xinjiang province, along with the local tribesmen, inflicted heavy casualties on Islamabad regular troops, in the tribal agency of South Waziristan, near the town of Wana. Reports indicate that at least 35 Pakistani soldiers were killed. At the same time, it is evident that the Pakistani troops have not succeeded in weakening the militant stronghold. There is a great deal of concern now in Pakistan that if the troops fail to eliminate the militants, the militants will hit back in these cities with violent terrorist attacks.

Bush Is 'Miscalculating' on Iraq Says *China Daily*

Bush has "miscalculated again," by meshing the theme of this century's war on terrorism and the last century's crusade against Nazism, in his remarks at the 60th anniversary D-Day commemorations in France, *China Daily* wrote June 7. Bush's error was in attempting to reassure the world that the campaign in Iraq was worthy of the U.S mission, and that the terrible toll of rebuilding the war-torn country is a necessary price to pay, the paper said.

The war in Iraq that the United States is waging is so drastically different from World War II that the parallels Bush has dredged up underline his ignorance of history, and a poorly disguised intent to confuse the public, the *Daily* said.

The *Daily* pointed out that, rather than addressing the post-Iraq war debacle, including the continuing violence, the scandal over prisoner abuse, and the growing pressure on an already overstretched military, Bush says: "We will not retreat. We will prevent the emergence of terrorist-controlled states. The whole world is better off with Saddam Hussein sitting in a prison cell."

Brits Warn of Terrorist Threats in Philippines

Britain has warned again of persistent terrorist threats and high political tensions in the Philippines, as canvassing of votes in Presidential elections drags on, the Philippine *Daily Tribune* reported June 10. "Political tension surrounding the May 10 national elections is likely to continue through the vote-counting period," the latest British travel advisory said. "Philippine authorities are on high alert in case of political unrest and security incidents, and have issued warnings about suspected bomb threats in Manila and elsewhere," the advisory added. Similar warnings were issued by the Australian government.

The warnings are disputed by the Philippine government.

Odd Group Invited To Speak on China's 'Five Principles'

A very strange combination of international figures has been invited to speak at an international seminar on the 50th anniversary of the Five Principles of Peaceful Coexistence, on June 14-15, the *Peoples Daily* reported June 10. The seminar is hosted by the Chinese People's Institute of Foreign Affairs (CPIEA), an organization founded in 1949 by Zhou Enlai.

Former Indian President K.R. Narayanan and former Chinese Vice Premier Qian Qichen will keynote the seminar. Other speakers include former Australian Prime Minister Bob Hawke, former German Chancellor Helmut Kohl, former UN Secretary General Butros Butros-Ghali and former U.S. Secretaries of State Henry Kissinger and George Shultz.

The two Americans and Hawke, a strong proponent of free trade, could hardly be less appropriate to such a gathering. The Five Principles launched by China, India, and Myanmar in 1954, are mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence.

Malaysian Foreign Minister To Lead OIC Delegation to U.S.

Malaysian Foreign Minister Syed Hamid Albar is expected to lead a delegation of foreign ministers from the Organization of Islamic Conference (OIC) to meet U.S. Secretary of State Colin Powell in Washington in July, to present the OIC's stance on the issue of Palestine, the *Malaysia Star* reported June 9. The meeting will complete the OIC's mission to meet with all members of the international Quartet—the U.S.A., Russia, the EU, and the United Nations—involved in the "Road Map."

Syed Hamid said the meeting with the United States was delayed due to overlapping appointments during the delegation's last visit to New York to meet UN Secretary General Kofi Annan.

He said the meeting will allow the OIC to present the Muslims' views on the issue, and provide constructive suggestions on the way forward for the peace plan, adding that the conflict in Palestine was one of the root causes of extremism and must be tackled.

Singapore PM Blasts Bush Admin. on Israel-Palestine Policy

In an unusual break with protocol, Singapore's Prime Minister Goh Chok Tong, in his keynote speech June 4 to the 3rd International Institute of Strategic Studies (IISS) Asia Security Conference, said bluntly: "The Middle East is also where

U.S. friends and allies are most disquieted by America's seemingly unconditional support for Israel. I know this is a delicate issue. I know that whatever the criticism of its policies, the U.S. plays an irreplaceable role in stabilizing the Middle East. But this is too important an issue to dress in diplomatic niceties. The U.S. is essential to the solution, but is also a part of the problem," Tong stated to the conference, held in Singapore.

"A more balanced and nuanced approach towards the Israeli-Palestine conflict—that recognizes that there are equities and inequities on both sides—must become a central pillar of the global war against terrorism," he continued. "Given the post-Cold War geopolitical battle against terrorism, the Israeli-Palestinian conflict is no longer just a regional problem. The Islamic terrorists know this. They have exploited this conflict to win sympathy and recruits for their own cause.

"The Israeli-Palestinian conflict is a rallying cause of terrorism. We know that a solution to it will not end terrorism, given the ideologically driven motivations of the al-Qaeda terrorists. But the discomfort that mainstream Muslims around the world feel with America's Middle East policies limits their ability to fight the ideological battle. Even the Europeans and other friends of the U.S. will be constrained to support the U.S. in the fight against the terrorists. This weakens the U.S.-led geopolitical struggle against terrorism," he concluded.

No Proof Khan's Nuclear Black Market Dismantled

There is no proof that A.Q. Khan's nuclear black market has been dismantled, Therese Delpech, a French expert on nuclear non-proliferation issues told the London-based IISS Asia Security Conference in Singapore on June 5. Notwithstanding U.S. Secretary of Defense Donald Rumsfeld's speech at the first plenary session, Delpech, an IISS member, said: "There is, in my view, no assurance that the network is fully dismantled," noting that the "network of nuclear trafficking has been operating for at least 15 years." Citing two factors to contradict Rumsfeld, Delpech said: "The United States has no direct access to A.Q. Khan." The American authorities had posed questions which passed through the "filter" of Pakistan's Inter-Services Intelligence (ISI) establishment before reaching Khan. The answers, too, she pointed out, were "filtered again." Moreover, Delpech added, the network "has been used by Pakistan to export goods, equipment, and even designs (relating to nuclear weapons), as well as to get technologies needed for its own program.

'Singapore Issues' Challenge Global Trade Talks

Global trade talks will founder, if the developed nations refuse to drop three of the four so-called Singapore issues, when the WTO talks resume next July, warned Malaysian Trade Minister Rafidah Aziz. Aziz was addressing a trade ministers' meeting of the Asia-Pacific Economic Cooperation (APEC) forum which concluded at the Chilean resort town of Pucon on June 7.

"It is wise for everybody to learn the lessons of Cancun," Rafidah Aziz said, referring to the deadlock of talks in the Mexican city of Cancun last September. Developing nations opposed addressing the four Singapore issues in Cancun, saying they were not prepared for what some termed "radical trade liberalization." The four contended issues are: trade facilitation; cross-border investments; cross-border competition; and transparency in government procurement.

The United States, Japan, and South Korea, all of whom had campaigned earlier for inclusion of all four Singapore issues, issued a joint statement on June 5 in which they accepted the trade facilitation as the only Singapore issue in the upcoming WTO talks.

Africa News Digest

Bukavu, Seized by Rwanda, Freed by Threat of French Troops

"The city of Bukavu is in the hands of the Rwandan National Army," DR Congo President Joseph Kabila said on national television June 2. Bukavu is the capital of eastern Congo's South Kivu province. He called for a "general mobilization" of the nation—as in wartime—of human, logistical, and financial resources to support the army, police, and security services. All media were ordered not to politicize the seizure of Bukavu—that is, not to blame parties or factions within Congo—but to focus on Rwanda.

Officers of the new, integrated Congo army, Brig. Gen. Laurent Nkunda and Col. Jules Mutebusi, both "formerly" of the Rwanda-controlled RCD-Goma militia, took the city June 2 with 2,500 to 4,500 troops.

Thousands of troops of the regular Rwandan army streamed across the border into Congo June 1 to support the insurrection, even before the seizure of Bukavu, according to Heritiers de la Justice, a Congolese NGO, and UN spokesman Sebastien Lapierre. Rwanda hopes to form a "Republic of the Volcanoes," as client state, from North and South Kivu provinces, according to Congo press.

Kabila asked French President Jacques Chirac June 5 to send troops to secure Bukavu and environs, on the pattern of Operation Artemis of June-September 2003, in which largely French troops were sent to secure Bunia under EU auspices. The French Ambassador to Kinshasa, Georges Serre, is supposed to have told Raga TV that Chirac had received the request "favorably," according to Kinshasa daily *Le Potential* June 7. Chirac is supposed to have discussed the request with President Bush at Normandy.

In an unprecedented step, a standing committee of ambassadors in Kinshasa accused Rwandan President Kagame of having sent troops to support the Bukavu insurrection. The statement also hinted at the RCD-Goma connection in the insurrection. The International Committee to Accompany the Transition—that is, the transition to an elected government in Congo—known by its French acronym, CIAT, issued a communique of this character June 5, after a meeting in which the Kabila government presented the evidence of Rwandan involvement. CIAT consists of the ambassadors of the five permanent members of the UN Security Council, and Belgium, Canada, South Africa, Angola, Gabon, Zambia, Mozambique, EU, European Commission, African Union, and UN Mission in Congo (MONUC). The communique says, in part:

"CIAT strongly condemns the military insurgency led by mutineers Nkunda and Mutebusi, formerly of the ANC [Congolese National Army, the army of RCD-Goma], against the transitional government of DR Congo. In this context it condemns the pillaging and violations of human rights [i.e., rape, murder] committed by their troops and partisans, and reminds them that these deplorable acts will not go unpunished...."

"CIAT expresses its great concern over numerous reports from multiple sources noting support by Rwandan troops in the aggression led by the military insurgents. In this regard, CIAT calls on neighboring states, notably Rwanda and Uganda, to fulfill their obligations under Resolution 1493 of expressing their support for the government of transition of DR Congo unequivocally and condemning the action of the mutineers...."

A UN Security Council Presidential Statement followed on June 7 that was almost as strong.

Nkunda abandoned Bukavu June 6, after telephone conversations with members of the government and William Swing. His convoy headed for Kavumu to the north, where the nearest airport is, taking 800 million Congo francs and US \$600,000, stolen from the Central Bank branch.

According to an unnamed "observer of the Great Lakes region," cited by Agence France Presse June 9, the Bukavu operation was terminated by Rwanda's President Paul Kagame because of the threat of French intervention. "To withdraw

like that, Nkunda has come under great pressure. Above all from Kigali [the Rwandan capital], with the threat of Artemis 2. And the French in Bukavu, that does not please Kigali," the observer said. AFP adds that Kigali did immediately object to the proposed return of European troops if they are "led by France."

Presumably, Kagame does not want the French to return to Eastern Congo because they would make a point of exposing continuing Rwandan intervention.

"The dissidents and Rwanda were taken by surprise by the reaction of Kinshasa—which immediately accused Rwanda of aggression—and of the international community," the observer added.

A day after the departure of Nkunda from Bukavu on June 6, a spokesman at the Quai d'Orsay, in response to questions from the press about the possibility of sending French troops to Bukavu, would only say that "We are seeking the most effective means for resolving this crisis, notably through diplomatic action."

The national army retook control of Bukavu June 9, without resistance, and was received by hundreds of people dancing and singing, according to an eye-witness report of an AFP journalist. Mutebusi—the insurrectionist who remained in Bukavu with his 300 troops when Nkunda left with his thousands—had departed in the evening of June 8.

With Bukavu retaken, "Goma must be liberated," wrote the Kinshasa daily *L'Avenir* June 10. Goma is the capital of North Kivu province. *L'Avenir* took as its point of departure a quote from Press Minister Vital Kamerhe from June 5: "We would be in bad faith not to acknowledge that Goma is in the hands of the Rwandans." The newspaper called the 8th Military District (that is, North Kivu) "a state within a state" and noted that during the Bukavu insurrection, the 8th Military District remained with arms folded. Nor did the central government attempt to make use of it in planning counter-operations. "All the news from this province notes the visible presence of the Rwandan soldiers in Goma and in other towns." It is urgent to get rid of Commander Obed Rwabasira, says *L'Avenir*, otherwise the retaking of Bukavu is meaningless.

Was Congo Putsch Staged or Allowed to Unfold?

In Kinshasa, 20 members of the Special Group for Presidential Security (GSSP), led by Major Eric Lenge, went through the motions of making a coup in the early morning of June 11. Lenge was a friend of President Laurent Kabila. There was no response from anywhere in the country to Lenge's national radio broadcast at 0100 GMT.

President Kabila later appeared in military uniform on public television to show that he was alive and well.

The *New York Times* June 12 reported that "there were some suggestions that the coup attempt might have been staged to demonstrate the President's grip on power. 'This could well be a piece of theater to show that the Presidential guard is strong enough to put down an uprising if it happens,' one military analyst in Kinshasa said."

There is also the possibility that the government had foreknowledge of an actual conspiracy, and allowed it to unfold, or even encouraged it. (In his broadcast, Lenge claimed that Armed Forces Chief of Staff Adm. Liwanga Mata-Myanumyobo was coming to join him. He did not.)

The press of Kinshasa of June 12 expressed doubts that the putsch could be taken at face value. Some articles compared it to Operation Pentecost a month ago, in which a mere 40 men crossed from Congo-Brazzaville and gave the appearance of attempting a coup. The official report on that development was promised within 72 hours, but has still not appeared.

The putsch may have been allowed, encouraged, or even organized to rid the Presidential guard of disaffected elements.

Afrikaners Welcome President Mbeki's Second Term

More than 100 prominent Afrikaners—white South Africans of Dutch and Huguenot descent—pledged their support to South African President Thabo Mbeki, on the occasion of his second term in office, the Johannesburg *Sunday Times* reported Jay 30. In a brief letter sent the last week of May, the Afrikaner leaders wrote, "We are convinced that your second term as President will be decisive for the continued deepening and broadening of our democracy, economic growth, sustainable development and the realization of the ideal of a better life for all.... We support your dream to make a success story of South Africa and you can depend on our participation and critical interaction to realize this dream."

Signatures include those of Ton Vosloo of the Afrikaans press group Nasionale Pers, Johannesburg Stock Exchange chief Russell Loubser, economist Rudolf Gouws, Potchefstroom University rector Theuns Eloff (Potchefstroom University used to be an ideological stronghold of apartheid), and Stellenbosch University professor Willie Esterhuyse.

Zimbabwe Intends To Nationalize All Farmland

The government of Zimbabwe has announced its intention to nationalize all productive farmland, according to statements by Lands Minister John Nkomo reported in the *Herald* newspaper June 8. "In the end, all land shall be state land and there will be no such thing called private land," Nkomo said.

Plans were already underway to abolish title deeds and replace them with 99-year leases, he said. "We don't believe that land should be used for speculative reasons. Title deeds are no longer issues we can waste our time on, because the 99-year leases will act as good enough collateral." Nkomo was referring to the chronic inability of farmers to get desperately needed bank credit; although they have land, thanks to the land reform, they do not have the title deeds to the properties.

Before land reform began four years ago, a small group of white commercial farmers owned almost 70% of Zimbabwe's arable land. Today less than 500 remain, owning just 3%, according to a government land audit report.

Access to Anti-AIDS Drugs Is Improving in Zimbabwe

Because of recent initiatives to roll out antiretroviral (ARV) therapy and to manufacture the medicines in Zimbabwe, the population's access to anti-AIDS drugs is improving. Tobias Dzangare, chief executive of Varichem, said his company would produce locally, nine types of generic ARVs, the United Nations IRIN service reported June 9. The generic drugs will cut the cost of ARVs, which are currently mainly imported from India.

A monthly cocktail of ARVs costs US\$155 currently. With the manufacture of local generics, the price is expected to drop to between \$27 and \$30 a month. At the launch of the program June 7, Dzangare said his company hoped to ensure constant availability of the generic ARVs.

G-8 Fails To Pressure African Leaders Against Mugabe

Two senior U.S. officials, speaking anonymously, said that the Zimbabwe government's plan to nationalize Zimbabwe's arable land is "harmful," reported SAPA-AFP newswire June 9, just as the Group of Eight (G-8) meeting was beginning in Sea Island, Georgia.

The officials said that an attempt would be made to use the NEPAD card against President Robert Mugabe, by attempting

to use the six African leaders attending the G-8 summit to pressure Zimbabwe. The U.S. officials said that there is "an expectation that the Africans would be much stronger at the outset in speaking out against Zimbabwe."

But statements by South African President Thabo Mbeki, who is attending, show the resistance to this pressure. In a June 10 op-ed in *ThisDay*, Mbeki said that the invited leaders from Algeria, Ghana, Nigeria, Senegal, Uganda, and South Africa "will still be poor relations crashing the party." "Africans will be objects of compassion and contempt until such time as we have become demonstrable masters of our own destiny.... We must be able to set our own priorities," Mbeki added, "rather than those of foreign donors and the organizations through which they channel funds."

On a stopover in Washington June 9, on his way to the G-8 meeting, Mbeki spoke before a large CFR gathering and said that "American assistance to Africa is too focussed on individual countries and should be directed in large measure toward the continent as a whole," according to SAPA-AP June 9. He added: "We want to see a commitment to address debt more effectively than has been the case."

At the G-8 meeting, the African representatives foiled the plan to exert pressure through them on Zimbabwe by refusing to discuss individual African countries.

This Week in History

June 14-June 20, 1858

'A House Divided'

On June 16, 1858 Abraham Lincoln, the just-nominated Republican candidate for U.S. Senate from Illinois, gave an acceptance speech to the Republican Convention in Springfield, which helped decisively shape the history of the nation. It came to be entitled "A House Divided Against Itself Cannot Stand." The oft-quoted opening to this speech went as follows:

"If we could first know *where* we are, and *whither* we are tending, we could then better judge *what* to do, and *how* to do it.*

"We are now far into the *fifth* year, since a policy was initiated, with the *avowed* object, and *confident* promise, of putting an end to slavery agitation.

"Under the operation of that policy, that agitation has not only *not ceased*, but has *constantly augmented*.

"In *my* opinion, it *will* not cease, until a *crisis* shall have been reached, and passed.

" 'A house divided against itself cannot stand.'

"I believe this government cannot endure, permanently half *slave* and half *free*.

"I do not expect the Union to be *dissolved*—I do not expect the house to *fall*—but I *do* expect it will cease to be divided.

"It will become *all* one thing, or *all* the other.

"Either the *opponents* of slavery, will arrest the further spread of it, and place it where the public mind shall rest in the belief that it is in course of ultimate extinction; or its *advocates* will push it forward, till it shall become alike lawful in *all* the States, *old* as well as *new*—*North* as well as *South*."

When put into historical context, this speech represents the launching of a great public debate over the *threat* which the "popular sovereignty" Democrats, allied with the hard-core slaveholders of the South, represented to the principles upon which the United States was founded. Lincoln sought throughout this election campaign, including the famous debates between himself and his opponent, Democrat Stephen Douglas, to demonstrate that Americans had to return to the principled commitments of the Declaration of Independence and Constitution, whereby *all men* are judged to have been created equal, or face the destruction of the American republic as it was originally conceived.

The context of the speech is crucial to understanding it. The 1850s had seen an escalating series of compromises and decisions that were all ostensibly aimed at restricting the spread of slavery, but ultimately were resulting in its expansion. Most crucial within this process was the 1857 Dred Scott decision by the Supreme Court, which resulted in the validation of the Fugitive Slave Law's (1850) application anywhere in the nation, and the Kansas-Nebraska Act of 1854. Kansas-Nebraska, which passed by a close 113-100 margin in the House, permitted each territorial government to decide by "popular sovereignty" whether to permit or prohibit slavery.

Yet, as Lincoln pointed out in the body of the "House Divided" speech, the argument for popular sovereignty was then totally vitiated by the Dred Scott decision. In fact, the Dred Scott decision *prevented* a state from exercising its popular sovereignty *against* slavery, because there was no way to protect free black people from being re-enslaved. The fact that the Congress voted down an amendment seeking to permit a state to explicitly exclude slavery, made it clear to Lincoln, if it had not been clear before, that the Democrats, who controlled the Presidency in the person of James Buchanan, were *intending* that slavery be spread, unstopably.

(I am reminded, in writing this, of our ignominious Democratic Party leadership today, which shares the slaveholder values of those Democrats of yore. They too, claim to champion the idea of "popular sovereignty"—the people's will—but then move to exclude those who would challenge their pro-banker ethic, in this case, Lyndon LaRouche and his supporters. "What the people want" is almost always a fraudulent ruse, used to cover up clashes of principle.)

As is well known, of course, Lincoln lost the 1858 Senate election to Douglas, although he went on to mobilize and build the Republican Party, to the point that it won the 1860 election, in which Lincoln was the successful candidate for President. Immediately, the pro-slavery forces challenged President Lincoln's willingness to defend the Union, a challenge which he successfully rebuffed, both militarily and eventually, by means of enacting the 13th Amendment, in January 1865, banning slavery altogether.

But, contrary to popular opinion, Lincoln's victory was not simply one of using superior might to impose a solution. As our greatest President said in his "House Divided" speech, what we were looking at is a clash of principles which could not coexist forever. Having taken the principled position that slavery was *against* our nation's very *raison d'etre* (although not its practice), Lincoln fought and prevailed.

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