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This Week You Need to Know:

What the EIR Economic Charts Will Show You

by Lyndon H. LaRouche, Jr.

August 15, 2004

The ancient model for our Alan Greenspan, Apollo's gibbering priestess Pythia, was seated on her stool by the Delphi cult's grave-site of the ancient serpent-god. She promised the mighty, but foolish Croesus, supposedly the richest man of that time, that a great empire would soon collapse. Croesus later discovered, to his surprise and great sorrow, that the empire of which that priestess had spoken, was his own.

Today, the same kind of ominous, great crunching sound, is the onrushing general breakdown-crisis of the world's present monetary-financial system. The rumbling you hear, is the death-rattle of the present economics profession. The thundering and crackling of this crashing event, will remind the literate, that the wisdom of the great Solon, the wisdom adopted by our republic's founders, not the greed of Croesus and Dick Cheney, was the model of economic and social policy chosen by the framers of the Constitution of our U.S. republic. That is the truth of U.S. politics today, despite today's dupes of that ever-Delphic charlatan of the recent two decades, the creepy-crawly critter known as Alan "Pythia" Greenspan.

This crisis we are currently experiencing, is not a reflection of a boom-bust cycle within the system. It is a collapse of the system itself. ...

...more

InDepth Coverage

Feature:

PRINCIPLES OF EIR ECONOMICS

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International:

SCHRÖDER IN A BIND

World Monetary System Has Cracked in Germany Today!

by Lyndon H. LaRouche, Jr.

August 18, 2004

The address delivered today in Berlin by Germany's Chancellor Gerhard Schröder, marks the actual beginning of the collapse of the rotten-ripe world monetary-financial system. This began, a few weeks ago, with seemingly small, easily overlooked events, beginning in a way which is ironically comparable to the way in which the issue of freedom to travel for vacations abroad, triggered the series of events leading quickly to the already inevitable 1989 collapse of the (East) German Democratic Republic (G.D.R.). That irony aside, it is the biggest, most dangerous global monetary-financial crisis in modern world history.

- **Chronology**
Buildup of Germany's 'Monday Demonstrations'

Manifesto for the Monday Demonstrations

by Helga Zepp-LaRouche

Issued on Aug. 17 by the chairwoman of the Civil Rights Movement Solidarity (Bu`So) party in Germany.

Today, only 15 short years after the historic Monday demonstrations of 1989 which ushered in the end of the German Democratic Republic, demonstrations are once again taking place in many cities across Germany. The immediate trigger has been a protest against extreme injustices mandated by the Hartz 4 law, a law which would plunge millions of so-called long-term unemployed into outright poverty. But Hartz 4 was merely the proverbial last straw. As the Econometric Institute in Halle once again confirmed in August, actual unemployment in Germany is at least 8.6 million, if we include entire categories of people who are not even counted in the official unemployment statistics. That's over 2 million more unemployed than in 1933.

Interview: Chandrajit Yadav

What India Needs Is an FDR-Style 'New Deal,' Not Globalization

Shri Chandrajit Yadav is a former Union Minister of the government of India under Prime Minister Indira Gandhi, and is now chairman of the Centre for Social Justice of India. He was interviewed by Mary Burdman on Aug. 13.

Iraq: Moral Authority Is Greater Than Military Might

by Muriel Mirak-Weissbach and Hussein Askary

Catastrophe loomed over Iraq, as U.S. and allied Iraqi forces moved toward a final showdown against the forces of radical Shi'ite militia leader Moqtadar al-Sadr in the holy city of Najaf. On Aug. 25, when the puppet interim government of Iyad Allawi issued its umpteenth ultimatum for al-Sadr to surrender, or be killed in a storming of the holy Imam Ali shrine, it was thought that only a miracle could avert the impending doom. The 'miracle' occurred, in the form of an announcement that Grand Ayatollah Ali Hussein al-Sistani, the highest Shi'ite authority worldwide, was returning to his native Najaf, from London, where he had undergone surgery for a heart problem. The miracle worked.

National:

The Coming Senate Battle: Open the Porter Goss File,

Part 1

by Jeffrey Steinberg, with Michele Steinberg and Scott Thompson

In his damning book on the Bush-Cheney Administration, *Worse Than Watergate*, former Nixon White House General Counsel John W. Dean reported that Vice President Dick Cheney has been obsessed for decades with the mid-1970s Church and Pike Committees, whose pioneering work led to the first serious Congressional oversight of the intelligence community. As far as the Vice President is concerned, those investigations, and the Congressional oversight committees that emerged from the process, represented a dark moment, in which the powers of secret government were undermined. As Dean put it: 'Cheney has long believed that Congress has no business telling Presidents what to do, particularly in national security matters.'

Torture Trail Leads to White House, Cheney

by Edward Spannaus

The two new reports issued on Aug. 24 and 25, concerning the abuse and torture of prisoners at Abu Ghraib prison in Iraq, contain much new damning and detailed material, which proves that the responsibility for the atrocities at Abu Ghraib runs directly to the highest levels of the Bush Administration, including Vice President Dick Cheney.

From the LaRouche Youth Movement:

The LaRouche Show

If Americans Understood Beethoven, Would Bush Be President?

What follows is excerpted from a discussion with LYM leader Nick Walsh, from Boston, on the Aug. 21 webcast of "The LaRouche Show," moderated by Marcia Merry Baker.

Nick: What we've been doing here, in Boston, the main mission that we have: There's about 18 of us here, that LaRouche wanted to come in, as primarily a singing/recruiting contingent of youth. So, we have four people of each voice: We have four baritones, we have four tenors, four altos, and four sopranos. And then there's a couple others—we have a couple more than 16. And, we've been doing two-hour chorus rehearsals in a church across the street from the hostel here, where we're staying. And the priest of the church allows us to sing there, for two hours every morning.

So, we've been working through the Bach "Jesu, meine Freude," and then, taking this out onto the streets, into the population. And setting up on different street corners, where there's large amounts of people. Like at one prominent place, called Harvard Square, where we've been having meetings, every single night, at 10 p.m. And we sing, maybe every hour. And then we have different—we have a couple of whiteboards, or dry-marker boards, set up on easels, positioned all around the corner, where large numbers of people are passing through. And then we have, different scientific, pedagogical experiments. We have a very beautiful, the five Platonic solids, constructed out of wood. We have a large brachistochrone, which is a cycloid curve, compared to a straight-line ramp, where you roll both marbles down the ramp and the curve, and you see which one will get to the bottom first.

So, we have all these kinds of set-ups. And then, on the whiteboards, we've been asking people, "Do you know how to double the cube?"

So, imagine about 18 of us, on the same corner there, singing through Bach, drawing increasingly large crowds through the music. When it started, you know, three or four people would stop and listen, and most people would kind of walk by—everyone would be provoked, and their ears would perk up and they'd listen, but they'd keep walking. The last few days, especially, I've noticed—we've been doing it a lot at night—we've been drawing crowds of people, youth and Baby Boomers, and I guess what you would call senior citizens, or the World War II generation, of 30 to 35 people; standing around, actually listening somewhat intently, to the music. And then, asking people, as they pass through, "Do you know how to double the cube?"

Or, "What is the quickest path between two points?" And then, people say, "The straight line, of course." And we say,

"Well, let's see," and we roll the marbles down each of these tracks, and people see that the marble going down the cycloid curve gets to the bottom the fastest. And they go, "What is this?" And we hand them the platform, LaRouche's "Real Democratic Party Platform." And we say, "These types of experiments, doubling the cube, the brachistochrone, Bach—these ideas are essential to being able to rebuild the United States economy!" And people say, "What're ya talkin' about!"

So, we're engaging people, and we say, "You don't understand Riemann, do you? You don't understand LaRouche. You don't know about physical economy." And this is what we're teaching.

- Living History -

And the neat thing, these same streets, where we're doing this, where Cotton Mather, Increase Mather, the Winthrops, and eventually Benjamin Franklin, were actually organizing the population here, in the early 1700s, with newspapers, different types of literature. But also, different types of inventions, kind of spreading, and promoting different types of inventions and ideas, throughout the community here in Boston. To actually create a much more intellectual, more literate kind of population, a culture that would be capable of assimilating the kinds of ideas needed to have a nation-state.

And you had a situation in the 1700s, where the population was prepared, by people like Franklin, for the American Revolution. And you have a situation now, where LaRouche is, in a certain sense, doing the same exact thing, largely through our youth movement. Saying: We need to go into places like Boston, where there's an appetite here for ideas, and we're very easily able to engage people. People here want to know, and they want to discuss things like the brachistochrone and the relationship to economics.

But, we're engaging people, really fighting with them about LaRouche's epistemology, or the epistemology of the human mind. And, creating the conditions where we're going to recruit young people, and create the kind of movement where this American population can actually survive, can actually be morally fit, and intellectually fit, to demand the right kinds of ideas coming out of the government, coming from John Kerry, coming from the Democratic Party, whoever they may be. And also, of course, the same thing in places like Germany: Create a culture in different countries of the world that will not tolerate austerity, and fascism, and war.

- Harvard Square Pedagogicals -

And then, just to conclude, last night, we had our first kind of "official" student class. We've been having these meetings every night. And there's people are coming at us from all different directions: Some people are hearing about us from their friends, some are hearing about us from their parents or running into here. Yadda, yadda, yah—it's a very open process. Well, last night, we had Bill Ferguson teach a pedagogical in the middle of Harvard Square, on Bernoulli and Leibniz's catenary, which is the hanging chain, and the shape that that takes. And we had about 30-40 people, total, participate for at least 15-20 minutes in the class. You had 17-year-old kids talking about "LaRouche's catenary," and you had a Baby Boomer couple standing there for 45 minutes trying to figure it out.

We had a woman come up to a sign that said, "If Americans understood Beethoven, would Bush be President?" And this one woman came up to this sign, and said, "Who's in charge of this sign!? You can't put a sign like this in the middle of the sidewalk and walk away!" So, one of our organizers went up and started telling her why Beethoven was essential for politics....

- Boston: A 'Youthful City' -

Boston is a very interesting town. I think there's an intellectual concentration here. It is a very stimulated place. There's a lot of colleges. It's a youthful city. But, you get this in other parts of the country, too.

Wherever there are human beings, what we really respond to, is ideas. And people don't really believe this, but, what really is powerful, and what really sinks in, and what people actually tend to recognize, is, unique ideas. You know, concepts which have the potential to change the world, or change the way that an individual thinks, or change a certain society, or certain organization of people. And that's what LaRouche is, notorious for his ideas. People know our movement, because of the uniqueness and the kind of potency, of LaRouche's concepts of economics, and physics, and history, and philosophy. And there is a huge, kind of—somewhat, I'd say, "subconscious" almost, support, and defense, of what we as a movement represent.

And, indeed, in places like Los Angeles, the population of Los Angeles is a better population because we're there. And if we were to all leave there, and to stop organizing there for a few months, that population would degenerate, because of us not being there. The intellectual quality of the culture there, and the abilities of the people there, to discuss ideas, and contemplate the universe, is much, much increased, because we are there, organizing them.

And the same thing is here. We're actually a kind of a geological, universal, cultural effect, on the way that Americans think. If we didn't exist, this country would be a very barbarian place, it would be very ugly, if LaRouche's ideas weren't being communicated so well by the youth movement. And this great relationship of LaRouche, his writings, his ideas, his speeches he's delivering, and the youth's ability to assimilate them and communicate them to the population, in exciting, different, creative ways.

And we, here in Boston, we've recruited two new members already. There are people that are just coming around, all the time, because they recognize: It's a crisis. Human beings are suffering. There's no answers being provided. And what's being given, more and more and more economic value, in people's minds, is not money, but truth, and ideas, and being right.

So, it's good. This is the kind of—this is the time when we become, this is the time we've been working for, is when being right is the most valuable thing to be able to have on your ticket.

The LaRouche Show:

Zepp-LaRouche, LYM Spark Monday Demonstrations

From the LaRouche Youth Movement

Marcia Merry Baker, host of "The LaRouche Show," on Aug. 21 interviewed two members of the LaRouche Youth Movement from Germany, Tina Rank and Stefan Tolksdorf—who, with the leadership of Helga Zepp LaRouche, are leading Zepp LaRouche's BueSo Party in the "Monday demonstrations" against Germany's "Hartz IV" austerity plan (see p. 1). Here are excerpts:

Baker: Helga Zepp-LaRouche issued a Manifesto, a statement, on the key elements of this situation, where in Germany, you have an official austerity program.

Stefan: Gerhard Schroeder, the Chancellor, is right now digging his own grave politically. That is, the situation we have here, with a worsening economic situation—and since we are calling from Dresden, that is, the lower part of the former

east of Germany, and a part that has been hit, especially over the course of the last 14 years.

We see a reaction from the political machines, not only of the SPD, the Social Democratic Party of Schroeder, but also from the other parties—the Christian Democratic Union, the liberals [FDP], the Greens, that just shows that these people are not in reality. That is, from discussions, we know that the heads of banks, of the leading political parties, know that the international financial system is about to blow out. But, the reaction they show, is always the same: austerity, austerity, and more austerity. They cut every budget they can. And, it has reached a certain point, psychologically, with the introduction of the Hartz IV legislation, what they call "*Sparmassnahmen*," the austerity measures....

Now, this has led to a situation where, over the course of the last year, we saw the SPD is falling apart. They are losing members—I think it's around 100,000 so far....

And interestingly, in the last couple of days, actually, a certain terminology has come into play, which is that of 1989. And there's a special word, "*Betonkoepfe*", which is, "heads of concrete." That is, they're unable to move. They're unable to change. And this is now what has been said about our leading political class, including Schroeder....

- The Betonkoepfe -

If you talk about *Betonkoepfe*, these Concrete-heads, this was said about Honecker, for instance, the head of the GDR, the former East German state. And, he was presenting, at the 40-year anniversary of the GDR in 1989, in the summer, an outlook where he just said, "The Wall is going to stand for another hundred years. Socialism and communism (and whatever) is going to make it." And then, it took about one to three months—and that was it, the state was gone.

So, they refused to change, and the GDR collapsed. And now, in the present situation, it appears that Schroeder refuses to change.

And people are angry. A lot of people are unemployed. Even the official institutions have verified that we have, not the so-called "official" number of 4.5 million people unemployed—but rather, some 8.6 million people unemployed. And, these people are on the street. They're seeing no chance, whatsoever, from the leading parties or leading institutions, that they could turn to.

So, you have a situation, in a sense like 1989, where a system comes to an end. But, in the perception of the population, there is a crucial difference to 1989: And that is, in '89, people had a certain vision. There was also an explosive factor in that, which was the question of the freedom to travel which they wanted to have. This time, they're faced with an impossible system, but apparently also no way out. That is, they have no other state that they could look for, for another reunification, or whatever. It just appears that a second system is crashing—and that's it.

And so, with this situation, what we have to do, is inspire people. And Tina's going to tell you how we do that, right now.

- The Goetterfunken -

Tina: Well, we had this situation in front of us. We saw that the government did not have any connection to the population any more, which people more and more realized. And the fact was, what we could see—because we're going out every day; we're going out to the universities, we're going to the inner cities, we're going to the poor parts of the cities—and we saw that the population, especially in the East, that they've been really angry.

And you have to understand that, because, you know, you have to come into the East German cities, and they are empty.

There are no people. Because, people, after the Wall came down, they all flew into the West, because they got promised, they would get a job there. And everything that happened here, they destroyed all of the economy, all of the industry—there was a huge industry here in East Germany.

So, people are—since more than 14 years, they got cheated! They got traded, they got sold out. And they became more and more angry. And the thing is, there was no solution there. So, what you would call, what happened, was the "*Goetterfunken*," God spark, what Schiller is talking about in his poem—and what is also the European hymn. What we did, is that Helga ignited the God spark: She took up the idea of the '89 revolution. She saw that, now, all the people have to be united, we have to bring people together, we have to gather them, and let them do what they did in '89: That is, to become big persons.

Because, in that time, people were also enraged—you know, they actually lived in a prison in '89. They couldn't move anywhere. And this became the last drop in the glass of water, which brought the glass of water to overflow, which was, then, the Wall came down. And this is what Hartz IV is, today: which is, that Hartz IV is the last drop in the glass of water.

So, there she comes with the idea, "Let's do the Monday demonstrations." So, we took our sound-car, and we went into Leipzig: Leipzig was the city, in '89, where, with the leadership of Father Fuehrer, who is the priest of the Nikolai Church—he was leading the peaceful demonstrations in '89, which had been the key factor to bring down the Wall, to bring down the Communist system in the GDR. And, Leipzig also has the tradition of great people, like Johann Sebastian Bach, like Kaestner, and those people we're always referring to.

So, we took these cities, and said, "We have to take out these Monday demonstrations." And we got around 50 people, in the first demonstration, together—

- Call for Monday Demonstrations -

Baker: Tina, was this in July?

Tina: Yeah, we got the leaflet which Helga wrote, and this leaflet officially came out on July 7, with the caption where Helga calls for the Monday demonstrations. So, that means that we've been the first people who started the Monday demonstrations in Germany, which was in Leipzig.

And, it was fantastic! I mean, the first demonstration we had, we'd been 50 people or so—but, where we distributed the leaflets, people just got inspired. "Yes! We have to come there! This is the idea how we can be together!"

And, the next week—and it was raining like hell, the next week! We gathered together 150 people—this was a huge breakthrough. And the main thing is, if you look now at our demonstrations, you have a population, where in Leipzig, you have more than 30% unemployment. And these people are enraged. You know, we would have people coming up to us, and saying, "The next time, I see Mr. Schroeder—I'm gonna kill him!" That's what people tell us! They are enraged.

And now, we are gathering these people together, and what we do, we are making a unit. Because, what we are doing is, we are singing. We are taking up all the songs they sang in 1989, for example, "Die Gedanken sind Frei," which means, "Thoughts are free." Or, songs like "We Shall Overcome," which connected the civil rights movement of '89 with the civil rights movements of Dr. Martin Luther King.

And also, we are taking up "Jesu meine Freude," which is a piece by Bach. It's a motet. And people are getting inspired! Because, we are in the city Johann Sebastian Bach was leading the church choir, and was leading the music in a church,

and where he was living. So, this is something really, really, really different.

We have around 50 young people here, in Saxony, and these young people—we have the focus. With the people in Saxony, these were our marching orders, from Helga: With these 50 people, and with the population, we're going to make a change, coming from Saxony. Because the people in Saxony, they know that a system can come down. But, what our mission is—and this is the inspiring part!—this is where the spark comes in: is that we give them the idea. And with the ideas we're giving them, with showing them, "Okay, we need a renaissance." Our mission is now, to take up this anger, to take it, and to transform it! To turn it around. And to get out of this anger, turn it into an emotion which uplifts people.

And this is the mission we have.

U.S. Economic/Financial News

Census Bureau Reports Galloping Poverty Under Bush-Cheney

The number of Americans officially living in poverty rose by 1.3 million during 2003, hitting children especially hard, the Census Bureau stated Aug. 26. The increase, since the beginning of 2001, is 4.3 million people, which is a 13% growth in poverty since President Bush took office.

Based on its ridiculously low measure of the poverty threshold—\$18,810/year for a family of four—the Census Bureau said that the nation's official poverty rate rose from 12.1% in 2002, to 12.5% in 2003. The number of people living below the official poverty threshold rose to 35.9 million in 2003, up 1.3 million—with 800,000 more children in poverty—from 2002. For families, the poverty rate increased from 9.6% in 2002 to 10.0% in 2003, as 400,000 more families fell into poverty.

The states where the increase in poverty was concentrated are: South Dakota, Nevada, North Carolina, Illinois, Michigan, Virginia, and Texas. (The ordering is descending, with the most severe case listed first).

In addition, the number of Americans lacking health-insurance coverage, according to the Census Bureau, rose in 2003 by 1.4 million to 45.0 million.

Battleground States Suffer Massive Job Loss Under Bush-Cheney

A report by the Bureau of Labor Statistics, reported in the *Wall Street Journal* Aug. 23, shows hundreds of thousands of jobs lost in election battleground states, under the Cheney-Bush Administration. Twelve of the 16 states where the 2000 Presidential race was the closest, have lost jobs, since Bush took office, according to figures released by the BL. Overall, 16 "swing" states had a net loss of 315,900 jobs since January 2001. Hardest hit were the former industrial states: Ohio, lost 229,600 jobs; Michigan, down 245,200 jobs; and Pennsylvania, where payroll employment fell by 80,600.

LaRouche/EIR Economic Views Gain Growing Influence

The lead editorial in the *Louisville Courier-Journal* Aug. 23 reflects the growing influence of Lyndon LaRouche's views on the collapse of the physical economy. Titled, "Income inequality continues to grow," the editorial shows the direct impact of the *EIR* feature on the collapse of the economy of Louisville in the article, "As the Economy Sinks, 'Bush Doesn't Give a Dam.'"

The editors assert that the disparity which exists nationally is present in Louisville, as well. "However, between 1970 and 2000, the metro area lost 20% of its high-paying jobs, while the number of retail jobs, which pay only about a third as much, have increased by 89%. And the number of service jobs has risen by 181% since 1970....

"What's ominous about that is not only that such jobs pay only about half as much as the manufacturing jobs that have gone, but that they rarely provide workers with health insurance or retirement benefits.

"Metro Louisville's 'long-term economic prospects are yet more daunting,' said Crouch [a local researcher], noting the aging of the local population and the prospect that retiring baby boomers who believe their retirement benefits are secure may be in for rude awakenings."

"So, the heat isn't just on American families in the middle and at the bottom of the economy. It's going to get increasingly hotter for the next generation of politicians, who will inherit and be expected to sort out what promises to be a wrenching change in Americans' economic security."

Oregon's Willamette Falls Locks To Close

The Army Corps of Engineers is closing the Willamette Falls Locks in Oregon, as of Oct. 1, due to *zero* Federal funding for fiscal 2005. The closure of the locks on the Willamette River, operated by the Army Corps since 1915, will be a huge blow to residents and businesses in cities such as Eugene, Salem, and Portland. A farmer along the river near Independence, was quoted as warning, "We need to find a solution soon before we all find ourselves out of business and in unemployment offices."

Wells Run Dry in California's Top Agricultural Region

In an area encompassing seven communities, 40-50 miles northeast of Fresno, Calif.—in and near the Sierra National Forest—wells have run dry again this summer, the *Fresno Bee* reported Aug. 22. Last year, some residents started buying trucked-in water on July 31. This year, two months earlier. For weekly, or more frequent deliveries, people are paying as much as \$1,500 a month.

More than 500 families are in this plight. Many reside on 2- to 5-acre plots, built in the early- and mid-1990s. By the late-90s, as the current drought began, wells in the area started drying up in the summers.

Twenty years ago, the Fresno County government's general plan reported water problems: "The conversion from agriculture to rural residential development in this area results in a net increase in ground water consumption, resulting in water quantity problems." Fresno County is in the center of the San Joaquin Valley. Using extensive irrigation, the county claims the title of the most productive agricultural county in the United States. In 2000, county growers grossed \$3.4 billion from some 200 commercial crops.

Top Bush Economist: 'Economy Good, Getting Better'

The chairman of the Council of Economic Advisors, Gregory Mankiw writes, apparently from La-La Land, in a *New York Times* op-ed Aug. 22, that "the data are clear: the economy is good and getting better." Mankiw asks, "How is the economy doing? Some economists, pundits and politicians want you to think its in terrible shape," quoting Laura Tyson on the failure to end the unemployment crisis. But, he rails, "Nothing could be further from the truth." Unemployment is down to 5.5% he says and all that talk about people not looking for work is bunk: "The BLS has a little-publicized alternative measure of unemployment, called the U-4, which includes those discouraged workers," and it also shows only 5.9%.

And the claim that the new jobs are lousy jobs? More bunk, says the accountant: "The truth is that there are no data on the characteristics of the new jobs, only data on employment by very broad industry or occupation categories." He also lies that "The unemployment rate has declined for people with all levels of education, and among all racial and ethnic groups. As far as anyone can tell, the economy is creating all kinds of jobs."

Such jibberish will soon be impossible to sell, as the LaRouche team presents the real physical economy to the nation.

High Death-Rate Among Urban Elderly Found

Elderly Americans, living in urban areas, are dying today as a result of what used to be called "the urban penalty," at the turn of the 20th Century: congestion, poverty, crime, pollution, and lack of services. A study issued recently by the Detroit Area Agency on Aging, together with researchers from Wayne State University, found that area residents in their 50s were dying at more than twice the rate of people the same age in other areas of the state. Agency director Paul Bridgewater reported that, according to the last census, the area had lost 23% of its elderly population—not due to "out migration," but to conditions in the urban areas themselves. Mortality rates for older people in 10 other urban areas across Michigan were also higher than in the rest of the state.

Another study by the Boston Partnership for Older Adults found that low-income elderly living in urban areas are at risk, due to smog, and lack of air-conditioning, which can exacerbate respiratory problems, and cause heat stroke or heat exhaustion. Housing also now exceeds the financial reach of many elderly city-dwellers: In San Francisco, for example, the average rent for a small one-bedroom apartment exceeds 200% of the monthly benefit under the federal Supplementary Security Income (SSI) program, a program for low-income people 65 or older. The June 2004 *AARP Bulletin* reports that rents are more than 150% of SSI in 17 of the U.S.'s housing market areas.

Case Study: Pennsylvania Economic Breakdown

* PSA Airlines, a subsidiary of US Airways, announced that it would eliminate more than 260 jobs at Pittsburgh International Airport this fall, according to the *Pittsburgh Tribune-Review* Aug. 25. PSA will close its pilot and flight attendant bases in Pittsburgh and Akron, Ohio, on Nov. 1, and furlough customer-service employees, largely because US Airways is cutting service by about one-third. In addition, by December, about 40 airline mechanics' jobs will be eliminated in Pittsburgh.

* Pennsylvania House Furniture, a manufacturer based in the Mount Pleasant Mills area of north-central Pennsylvania, shut down entirely as of Aug. 10. The shutdown wiped out 425 jobs. It came without advance notice, and had a huge local impact. One source reported that job losses from the outsourcing of so much of Corning's production (headquartered across the border in the Corning/Elmira corridor of New York, but drawing on a substantial employment pool in Pennsylvania) had already hurt the region severely.

* Pittsburgh Center for the Arts abruptly shut down Aug. 23, having been a cultural beacon, especially for poor and middle-class art students, for many generations.

N.Y. School Roof Collapses After Years of Underinvestment

The "catastrophic structural failure" on Aug. 1 at Taft Elementary School in Washingtonville, N.Y., involving a particular type of steel joist commonly used from 1900 to 1960, underscores the urgent need for Lyndon LaRouche's approach, as laid out in his Democratic Platform, to fix the dilapidated state of the nation's infrastructure, resulting from decades of underinvestment in repairs/upgrades. In response, the state Education Department sent out letters to school superintendents

statewide, warning of similar potential dangers, and calling for thorough inspections.

"There's a lot of buildings in the state that are really crumbling," asserted Tom Robert, an architect with the state education department. "The fact that there was no indication that there might be a problem is what scared me the most. This could happen anywhere, at any time." The average age of school buildings in New York, outside of New York City, is 46 years, and some date back to the 1930s.

The steel joist had rusted because of prolonged exposure to water from a roof leak, a problem occurring in many schools nationwide. Washingtonville inspections conducted since 2000 had warned that Taft's roof needed repair.

Meanwhile, in Illinois, emergency repair work was begun on Aug. 10 to prevent sections of the disintegrating roof from caving in at LeClaire Elementary School in Edwardsville, after contractors found that the underlayment was deteriorated and wouldn't withstand the winter.

Budget Cuts Inflate Class Sizes in Michigan This Fall

Cuts in Michigan education budgets are swelling classes across the state this fall, the *Detroit News* reported Aug. 22. State-wide, 6,000 school employees were cut last spring, including teachers, classroom aides, and other support staff. In Dearborn, kindergarten classes, which had averaged 18 to 19 children, are expected to average 28. In the middle schools, some elective courses, e.g., music, will have 35 or more. Of 273 districts surveyed, 52 have already reported that class sizes will increase.

In Flint, one middle school teacher said, "It's 38 to 40 in some classes. It's outrageous—even in special education [instruction for children with learning disabilities and/or physical handicaps—ed.], they push you right to the limit." In Warren County, to keep class size down, middle school teachers now have five classes a day instead of four.

Michigan is struggling to meet Federal standards set by Bush's "No Child Left Behind Act," which allows for failing public schools to be run by private firms. A Dearborn mother said, "There's a lot more they [teachers] have to do under the No Child Left Behind Act.... There are all these demands, plus their class is larger now. Unfortunately, the kids that aren't doing well are just getting lost in the crowd."

Census Overstates Ohio County Household Income

Household income in Fulton county, Ohio is 20% lower than claimed in the 2000 census, according to a more accurate survey conducted by local officials. During an annual meeting in rural Fayette (located 55 miles west of Toledo), village administrator Tom Spiess said there are significant errors in the Census figures for household income, and that Fayette residents should be "upset beyond measure" with the inaccurate data, the *Toledo Blade* reported Aug. 26.

The 2000 Census figures claimed that the village's median household income jumped from \$21,900 in 1990 to \$32,115 in 2000, even as the village lost hundreds of jobs, and withholding tax revenues fell significantly. On the other hand, the local survey (with more respondents) documented that the median household income was actually \$25,750—about 20% lower than reported in the Census. Some 69% of the village's residents are in the low to moderate-income range, compared with 48% according to the Census figures.

World Economic News

UN Warns of 'Silent Emergency' in Sanitation, Drinking Water

More than 2.6 billion people—over 40% of the world's population—are still lacking access to basic sanitation, and more than 1 billion are still drinking unsafe water, the United Nations warned Aug. 26. Without urgent action now, waste and disease will spread, killing millions of children and leaving millions more on the brink of survival. Most of this toll will occur in rural Africa and Asia, according to a report released Aug. 26 by the World Health Organization and the UN Children's Fund (UNICEF).

"Around the world millions of children are being born into a silent emergency of simple needs," said UNICEF Executive Director Carol Bellamy. "The growing disparity between the haves and the have-nots in terms of access to basic services is killing around 4,000 children every day and underlies many more of the 10 million child deaths each year. We have to act to close this gap, or the death toll will certainly rise."

Rising Fuel Prices in UK Squeezing Shrinking Pensions

"Soaring fuel bills spell end to cheap energy" read the front-page banner headline of the London *Times* Aug. 25. Britain's largest gas and electricity supplier, British Gas, announced a 12.4% increase in gas prices and 9.4% increase in electricity prices for more than 18 million customers. British Gas blames the price hikes on record-high oil prices, while British gas reserves in the North and Irish Sea have been depleted. A consumer watchdog is quoted, warning of the eruption of "fuel poverty" in Britain. The *Times* notes that the price hike is hitting a population already facing "a 7% increase in water bills in 2005, rising mortgage interest rates and council tax bills."

Following the stock market crash, corporate pension schemes have lost much of their assets. Corporations reacted by cutting pension payments by 50% or more. The overall deficit of corporate pension schemes in Britain has exploded to 225 billion euros. Even worse is the situation for employees of corporations that go bankrupt.

Under British bankruptcy legislation, bank obligations have to be fulfilled first, followed by bond investors, and only then would pensions, which do not enjoy protection as in the USA, be paid.

German Public Deficit Hits Record High in Second Quarter

With tax and social security revenues of 464.1 billion euros and expenditures of 506.8 billion euros, the deficit of Federal, state, and municipal households rose to 42.7 billion euros from January to June, according to *Handelsblatt* Aug. 25. The deficit represents 4% of Germany's gross domestic product (GDP) in the first half year. Germany therefore has an excellent probability of crossing the 3% deficit limit of the Maastricht stability pact, again, in 2004. Any cut in infrastructure or social budgets would just further depress the economy, resulting in even higher tax income shortfalls. The Federal budget deficit had increased dramatically to 34 billion euros, compared to 26 billion euros in the same period one year ago. Finance Minister Eichel blames half of this shortfall on lower Bundesbank profits, the other half on falling tax income.

United States News Digest

***New York Times* Calls for Boykin's Removal**

The *New York Times*, in an Aug. 26 editorial, called for Lt. Gen. William G. Boykin to be removed from his post as Deputy Undersecretary of Defense for Intelligence, for displaying religious bigotry. The *Times* makes no mention of Boykin's relationship to his boss, neo-con Straussian Steve Cambone, or his role in the Abu Ghraib torture scandal. It instead expresses dismay at the possibility that Boykin may only be reprimanded for not having sought clearance for the 23

speeches he gave before church groups, equating the war on terror with a Christian religious crusade, and saying that God had placed George Bush in the Presidency. Boykin is a "national embarrassment," and removal of the "preacher-general should be a no-brainer," the *Times* concludes.

Choral Society: GOP Convention Nothing To Sing About

The New York Choral Society has cancelled its agreement to sing at the Republican National Convention. The plan was to sing patriotic songs at the Convention, but with the understanding that anyone who didn't want to participate was free to skip it. Apparently that didn't leave much of a chorus, and angered members who didn't want to be counted as part of the new Empire. In its Aug. 26 edition, the *New York Post* was furious that the Choral Society had cancelled. Now, they'll just have to whistle Dixie.

Maryland Touch-Screen Voting 'Vulnerable to Fraud'

The new Maryland electronic voting system is "terribly vulnerable" to fraud, said a computer expert who tested the machines last year and recommended a number of changes to be made. Michael Wertheimer of RABA Technologies testified that his review of the latest report by the Maryland State Board of Elections has convinced him that the system "still would receive a failing grade."

Wertheimer was one of a number of witnesses at an Aug. 25 hearing in Annapolis on a lawsuit brought by a group of activists known as TrueVoteMD, who are asking that the state give all voters the option of using paper ballots in November, instead of electronic voting machines.

Earlier, laboratory tests of Maryland's Diebold touch-screen machines showed that hackers could easily tamper with the machines and rig the vote count.

NAACP Accuses GOP of Suppressing Black Vote

The NAACP (National Association for the Advancement of Colored People) has issued a report accusing the Republican Party of intentionally moving to curtail black voting rights, the *Washington Post* reported Aug. 26. The report, issued by NAACP chief Julian Bond, and the group People for the American Way, says that the old Jim Crow policies of the Southern Democrats have "increasingly become the province of the Republican Party." The groups point to the Florida effort to eliminate felons from the voting lists in a way that disenfranchised thousands of legitimate black voters, and other cases around the country. As many as 4-6 million voters were disenfranchised in the 2000 election.

Hoekstra Named Head of House Intelligence Panel

Rep. Peter Hoekstra (R-Mich) has been named to head up the House Intelligence Committee, succeeding Rep. Porter Goss of Florida. In announcing Hoekstra's appointment Aug. 25, House Speaker Dennis Hastert (R-Ill.) commented that the Michigan Congressman had a special interest in Iraq, and had led several Congressional delegations to that country. Press sources describe Hoekstra as a "loyalist" who has staunchly defended the Bush Administration's launching the war in Iraq, and was chosen for the post above others who had greater seniority on the House committee.

The *Grand Rapids Press* of Aug. 12 had reported that Hoekstra was lobbying actively for the post at that time, and had "stuck close" to both Hastert and Majority Leader Tom DeLay (R-Texas) to improve his chances of being selected. In naming him, Hastert emphasized the importance of the House committee's implementing the 9/11 Commission's recommendations for reforming the intelligence community, although the *New York Times* mentioned, on Aug. 26, that

Hoekstra had publicly questioned some of those recommendations.

Questions Remain About Bush's National Guard Service

While the controversy—fabricated by the GOP dirty-tricks machine—continues to burn around Democratic Presidential candidate John Kerry's conduct in Vietnam, many questions remain unanswered about President George Bush's service in the Air National Guard in 1972 and 1973. This, despite the fact that the White House has released hundreds of pages of Bush's military records. Among the questions noted by *USA Today* on Aug. 24 that remain still to be answered are the following:

- * Why did Bush stop flying fighter jets in the spring of 1972, and fail to take an annual physical exam required of all pilots?
- * What explains the gap in his Guard service in 1972-73, when commanders in Texas and Alabama say they never saw him report for duty and there are no records showing that he received pay when he was supposed to be on duty in Alabama?
- * Did Bush receive preferential treatment in getting into the Guard and getting a coveted pilot slot, even though he had poor qualifying scores, and arrests, though no convictions, for rowdiness in college?

The records released so far don't answer any of these questions. The only evidence existing of Bush being in the National Guard between May 1972 and April 1973 is a record of a dental examination in Alabama on Jan. 6, 1973.

News organizations, including *USA Today*, are seeking more of Bush's military records through the Freedom of Information Act, but so far, no more have become available. Since the February release, the White House has banned all Guard and military commanders from commenting on Bush's service. Requests must go through FOIA.

Auditors Strongly Urged Halliburton Payments Be Withheld

Pentagon auditors "strongly" urged the Army not to grant Halliburton another extension, and to withhold paying 15% of Halliburton's billings in Iraq for over \$4 billion for feeding and housing troops in Iraq, according to a Pentagon document released on Aug. 24 by Rep. Henry Waxman (D-Calif). The Aug. 16 memorandum from the Defense Contract Audit Agency (DCAA) to Army Field Support Command, said the DCAA had "identified significant unsupported costs" submitted by Halliburton's KBR unit, and found "numerous, systemic issues ... with KBR's estimates."

The memo found that continued extensions—beyond the three already granted—for Halliburton to justify its high costs, were unwarranted. Despite months of efforts by DCAA to obtain accurate cost estimates, the auditors stated that "[t]o date, KBR has not provided ... basic supporting data for the significant task order proposals." According to DCAA, KBR "should have adequate supporting data by now." Previous extensions had not succeeded in prompting Halliburton to correct its deficiencies, the memo said. "We do not believe the quality of KBR's proposals has improved. ... [E]ach successive update continues to be significantly deficient." The memo cited "unsupported" costs of \$1.8 billion—a staggering 42% of Halliburton's total logistics contract.

DCAA concluded by calling on the Army to withhold 15% of payments from Halliburton. "It is clear to us KBR will not provide an adequate proposal until there is a consequence. Therefore, we strongly encourage you not to extend the implementation of this clause any further and only allow payment of the 85 percent as specified in the clause until KBR submits adequate proposals on all proposals deemed inadequate."

One day after the memo was sent, the Army said it would implement the withholding, but then abruptly reversed the decision and said it would give Halliburton more time to provide additional cost information.

In an Aug. 24 letter to Defense Secretary Donald Rumsfeld, Waxman, the ranking Democrat on the Government Reform Committee, called on the Defense Department to end its "special treatment" for Halliburton. Government audits by DCAA, the GAO, and the Iraqi Coalition Provisional Authority (no defunct) Inspector General, "have found widespread, systemic problems with almost every aspect of Halliburton's work in Iraq;" plus, the Aug. 16 DCAA memo (see above) and the Aug. 4 DCAA audit are the "latest indictment" of Halliburton's bogus accounting. "The Defense Department has not responded appropriately to these findings," Waxman charged. "To the contrary, despite KBR's record of overbilling and shoddy accounting," said Waxman, "the Defense Department has awarded Halliburton large new contracts and repeatedly waived procurement regulations. This special treatment of Halliburton should end."

Goss Supported Deep Cuts in Intelligence Budget

Although the Republican Party is running ads attacking Sen. John Kerry for proposing cuts in the U.S. intelligence budget in the mid-1990's, President Bush's nominee to be Director of Central Intelligence, Rep. Porter Goss (R-Fla), supported much larger cuts in 1995, calling for a 4% per year reduction in personnel in intelligence agencies, over the following five years. Goss was one of six original co-sponsors of legislation titled HR 1923, known as "Restructuring a Limited Government Act." Rep. Jane Harman (Calif), the ranking Democrat on the Intelligence Committee, said "Goss's bill is obviously much more severe" than cuts supported by Kerry.

Nader's Ballot Woes Spell Trouble for Cheney

The challenges faced by would-be independent Presidential candidate Ralph Nader, in his attempt to get on the ballot in many states, are undercutting one of Vice President Dick Cheney's efforts to steal the election by siphoning Democratic votes through fraud. On Aug. 23, Michigan state election officials deadlocked over whether to accept Nader's petitions, sending the dispute to an appeals court. In Illinois, a Federal court denied Nader's challenge to state election laws. Nader has failed to meet ballot requirements in: Arizona, California, Georgia, Illinois, Indiana, Maryland, Michigan, Oklahoma, South Carolina, and Texas. He also faces other challenges in numerous states. In Maine, citizen activists are trying to disqualify him, while West Virginia's state Attorney General has just filed a lawsuit charging that Nader petitioners violated state election laws.

Meanwhile, Virginia Attorney General Jerry Kilgore—chairman of the state committee to re-elect Bush, said Nader doesn't have to comply with the state requirement to file signatures grouped by Congressional district, but it is still not clear whether he has sufficient valid signatures to qualify.

9/11 Commission Releases Two New Reports

On Aug. 21, the 9/11 Commission released two new reports as it was closing up shop, the *New York Times* reported Aug. 22. The staff reports, on terrorist financing and terrorist travel, say that the FBI has still made little progress in stopping terrorist financing. Despite beefed up efforts, "it is nevertheless relatively easy to fund terrorist operations," the first report says. It says that the Saudis did not take seriously the problem of charities, which were financing terrorism, until the spring of 2003, but blamed this in part on the U.S. failing to provide the Saudis with intelligence.

The travel report clears the U.S. of any blame in allowing members of bin Laden's family to leave the country after 9/11, reporting that those leaving had all been cleared and were not suspects.

Roberts Issues New Plan To Reorganize Intelligence

Sen. Pat Roberts (R-Kan.), the chairman of the Senate Select Committee on Intelligence, surprised Democrats when he announced a new plan for the reorganization of intelligence on Aug. 22. Appearing on "Face the Nation," with Sen. Carl Levin (D-Mich.), the ranking Democrat on the panel, Roberts surprised both the host Bob Schieffer and Levin by presenting his plan, signed by the eight Republican members of the Committee. While it differs from the 9/11 Commission recommendation, the details are not important, since the purpose of the proposal is to muddy the waters further. Levin said it was intended to force the Congress to "fool around with other political gestures, to spend weeks in September, when we should be focusing on reform of the intelligence community." Levin added that the primary problem was the "politicization of intelligence during this administration," which is a problem, "just as important as any of the structural reform."

Ibero-American News Digest

Global Fascist Drive Reaches the Dominican Republic

President Leonel Fernandez announced in his Aug. 16 inaugural speech that the Dominican Republic was bankrupt, and the only possible solution was to "recover confidence" in the country. Therefore, he announced, his government will cut spending "by no less than 20%" as the IMF demands, and deepen electricity privatization. He repeated the failed mantra that only the private sector can create jobs; the government cannot. Citing Winston Churchill, he offered Dominicans "blood, sweat, and tears."

Why? "Today, those who decide the financial destiny of the peoples are some young people between 25 and 35 years old, well-educated and trained, who work for the risk-rating agencies, such as Moody's, Standard & Poor's, and Bear Stearns, as well as for investment banks, such as J.P. Morgan, Lehman Brothers, and Morgan Stanley," the lackey cum President said. Those young people have rated the Dominican Republic's "economic behavior" as CCC; only Argentina has a lower rating in Ibero-America.

To regain the "confidence" of those banker-fascists, Fernandez would kill his people. The IMF informed the government that it will not release any monies, until the government cuts subsidies for cooking gas and electricity to the minimum—with the political consequences that this will bring. Fernandez has set up a commission to come up with a proposal within 15 days for how to reduce the subsidies, and discussed with his cabinet, "the necessity of forming a national program of blackouts and conserving of energy and fuel, to ration the use of fuel due to the increase in the price of oil on the international market."

This, in a country where electricity blackouts already run an average of 20 hours a day—devastating in the Caribbean heat, and where people can go for up to 10 days at a time without being able to find any propane gas with which to cook.

Fuel Costs Blow Up Bolivia

Bolivia, like the Dominican Republic, exemplifies how the soaring world oil price may prove to be the final straw for many already blown-out economies. The nation's capital, La Paz, and the neighboring poor city of El Alto were completely shut down on Aug. 25 by a 24-hour public-transport strike, where strikers demanded the government impose a one-year freeze on the price of diesel fuel, gasoline, and cooking gas. Strikers placed their busses and large trucks across the principal avenues and streets, making transit impossible. The government first agreed to freeze domestic prices for 60 days, effective Aug. 30, but the strikers refused to accept that, and extended the strike for another day, settling finally when the government agreed to freeze prices for 100 days. Bolivia produces oil and gas, but is not self-sufficient in oil. The government does not have the revenue to foot the bill for the difference between the world market price and the lower

domestic price for long.

Chavez Victory Ratified; Violent Struggle Feared

The limited audit conducted of Venezuela's Aug. 15 Presidential recall referendum ratified Hugo Chavez's victory, former U.S. President Jimmy Carter and the Organization of American States announced on Aug. 20. The message Project Democracy is giving the opposition is, you have learn to live with Chavez.

The day after the Carter-OAS announcement, Chavez declared that he does not recognize the opposition umbrella organization, the Democratic Coordinator, and will not hold any dialogue with them. He suggested they become guerrillas, exclaiming, "Let them take to mountains!"—exactly what some crazies intend to do.

On Aug. 23, Chavez boasted that he has powerful international friends: Why, just the other day, I spoke with [Venezuelan billionaire] Gustavo Cisneros, he said. We couldn't speak for long, as Cisneros was in Athens, with Bush, Sr.—the father of the U.S. President, he noted—but he passed the phone to Bush so I could speak with him, too. We didn't discuss much, but they're following things, Chavez coyly remarked.

The Inter-American Dialogue's Michael Shifter recommends no one worry about Chavez. In an op-ed published in the *Washington Post* Aug. 23, Shifter explains: "Chavez, though hostile to the Venezuelan private sector, has vigorously and successfully courted foreign investment in petroleum. One does not hear strong complaints about Chavez from Wall Street." Shifter argued—wrongly—that Chavez is no regional threat, either, even as the narcoterrorist FARC issued a statement congratulating Chavez for his "decisive" electoral victory, which it calls "the best incentive and stimulus to other brother countries and neighbors of Venezuela" to also fight the "oligarchy and U.S. imperialism."

As LaRouche warned after the referendum concluded: the vote changes nothing fundamental in the situation. Pointing to the danger which the synarchists on both "sides" of the Venezuelan divide represent, former President Carlos Andres Perez reiterated to Colombia's Radio Caracol on Aug. 22, that "Chavez should die like a dog.... A violent struggle is coming," said this man, as responsible as anyone for decades of destruction of his own country. "This is what lies ahead of us: violence. There is no peace. The doors have been closed to peace."

Colombia Reverses Opposition to Talks with FARC

Peace Negotiator Luis Carlos Restrepo told reporters on Aug. 19 that Colombia's Uribe government has offered to "unilaterally" release 50 imprisoned, convicted FARC guerrillas, in exchange for a FARC promise to release a specified list of some 60 politicians and soldiers they are holding in jungle concentration camps. Among those the government wishes to see released, are three American military contractors, kidnapped by the FARC in 2003. The offer was transmitted to the FARC on July 23, through the Swiss Embassy. The government's condition is that the FARC convicts released would have to agree to either leave the country, or enter the government's Reinsertion Program for former guerrillas. The French government and the Catholic Church in Colombia would serve as guarantors of this aspect. No FARC ceasefire would be required.

Former Presidents Alfonso Lopez Michelsen (1974-78) and Ernesto Samper (1994-98) championed this so-called "humanitarian exchange," which President Alvaro Uribe had resisted for two years. Samper Pizano is owned by the drug cartels (who paid at least \$6 million to put him in office in 1994), while Lopez Michelsen is the actual "godfather" of the drug trade in Colombia, as LaRouche's movement identified him to be two decades ago. Both are crowing that the offer could open the door to full-scale negotiations between the FARC drug cartel and the Uribe government.

U.S. State Department spokesman Adam Ereli refused to oppose the proffered deal to exchange convicted narcoterrorists for the three U.S. hostages, when questioned at an Aug. 19 briefing, adding that "we are sparing no effort to achieve their release."

The FARC only responded after the government had publicly admitted it had proposed negotiating with them. On Aug. 20, the FARC issued a communique rejecting the terms of the government's offer as "unrealistic and unserious," but welcoming the change in the government's tune. The communique laid out the FARC's counter-offer: They, not the Uribe government, are to decide who and how many of the FARC prisoners it wishes to release; no conditions can be imposed upon the FARC guerrillas released; nor can guerrillas already charged with certain crimes—such as kidnapping, murder, genocide—be excluded from the swap, because these crimes derive "from the right to rebellion." And, an agreement requires face-to-face talks. Our negotiators are ready. What guarantees will the government give them? Who are the government's negotiators? Ever cynical, the FARC adds: What guarantees will the government give the prisoners, that the FARC will not have to kill them, should the government try to rescue them?

Rio Group Discusses South American Infrastructure Plans

The establishment of a "South American Infrastructure Authority," raised by the Presidents of Brazil, Bolivia, and Peru when they met on Aug. 11 (see last week's Ibero Digest), was discussed as a way to get around the IMF'S fiscal restraints, at the meeting of the Foreign Ministers of Ibero-America's Rio Group, in Brasilia Aug. 19 & 20, Argentina's *Clarín* daily reported.

The Foreign Ministers met to prepare the agenda for the Rio Group Heads of State summit which is scheduled for November. Nineteen countries are now part of the Rio Group, including all of the Ibero-American countries, with Guyana representing the Caribbean Community.

Argentina went into the meeting seeking to generate a debate over relations with the IMF, as a way of securing a "political accompaniment" for Argentina in its discussions with that body, Argentine Foreign Ministry sources told *Clarín*. The sources emphasized they would be careful to not put Brazil—which fears being associated with anything smacking of a fight with the IMF—on the spot, but they wanted to come up with "innovative forms of financing" for economic development, which would allow the region to get around the "corset" which the IMF's fiscal "adjustment" policies force upon them.

The principal innovation discussed was a South American Infrastructure Authority, as a multinational body which would centralize loans from the World Bank, Inter-American Development Bank, and other foreign agencies, and then use the resources to finance great projects of physical infrastructure in the region. The authority would be responsible for repaying these credits. In this way, the individual nations would get around the IMF's requirement that long-term capital expenditures be counted as a current expenditure in their budgets, thus making it impossible for any to afford them.

So far, the discussion is still confined to asking the IMF for permission to carry out the initiative, however, as the governments still refuses to admit that there are no reforms possible within the current, dying international monetary system.

Brazil's Labor Protections on the Chopping Block

Were former Brazilian President Getulio Vargas alive today, and witnessed the dismantling of the labor legislation he promulgated, he would have "more than sufficient reasons to commit suicide." These were the remarks made by Vantuil Abdala, head of Brazil's Superior Labor Tribunal (TST), on the occasion of the 50th anniversary of the death of Getulio Vargas, who committed suicide on Aug. 24, 1954. During his two periods of government (1930-45; 1951-54), nationalist

Vargas aggressively promoted Brazil's industrialization, as well as labor laws that offered comprehensive protection and benefits to the country's workers. Franklin Delano Roosevelt considered him a friend and close ally, with whom he frequently consulted on matters of strategic importance. FDR and Vargas had two personal meetings, in 1936 and 1943.

Ceremonies were held at various locations throughout Brazil on Aug. 24, commemorating Vargas' achievements, which included the creation of the state-owned National Steel Company and the Petrobras oil firm. Both the Senate and Lower House of Congress held special sessions to pay homage to him.

Vargas is especially revered by the labor movement as "a father to the poor," because of the legislation that guaranteed a minimum wage, paid vacations, maternity leave, bonuses, and other benefits. Today, the Lula da Silva government is embarked on a campaign to "flexibilize" Vargas' Consolidated Labor Laws (CLT)—i.e., eliminate them—as demanded by the IMF and World Bank. Under the guise of reducing labor costs and creating more jobs, Lula's proposed labor reform will actually cause job losses, and force more workers into the "informal" sector, Abdala warned, citing Spain, Chile, and Uruguay as examples of countries where "flexibilization" of labor laws has had disastrous results. "Instead of increasing jobs, work conditions became worse." It would be far better, to bring those now in the informal sector, where there are no benefits, under the protection of the CLT, he said.

Western European News Digest

Impeachment Papers Filed Against Tony Blair

Adam Price, a member of the Welsh Plaid Cymru Party, with backing from 11 opposition MPs, has filed impeachment papers against British Prime Minister Tony Blair based on the "Principle of Ministerial Accountability," which was last used 150 years ago, *Reuters* reported Aug. 26. "Tony Blair has misled this country time and time again," said Price. Accusing Blair of "high crimes and misdemeanors" for his "less than truthful" justifications for the Iraq war, Price said that, despite the fact that the bill is unlikely to pass the Commons, "We should all remember that it was not the impeachment of Nixon that led to his resignation, it was the threat of impeachment that threw the spotlight on what he had done."

Two British Soldiers Charged in Death of Iraqi Youth

Two British soldiers have been charged in the death of an Iraqi youth, the *Guardian* reported Aug. 26. The case is one of more than 30 brought by Iraqis against British soldiers on grounds of abuse, and 75 other cases that are under investigation including on grounds of abuse, humiliation, forced sexual acts, and murder. Perhaps the only difference with the cases at Abu Ghraib is that the acts were not caught on tape—or were they?

Blair Stalling on U.S. Trip

Prime Minister Tony Blair is refusing, or stalling, a request from President George W. Bush to visit the USA to receive his Congressional Medal of Honor, the Aug. 22 *Mirror* of London reported. An unnamed senior government source is quoted saying that Bush is putting intense pressure on Blair to come for the medal before the election, as a political boost for Bush, since Blair is allegedly so popular here. The article notes that Blair is anything but popular back home, and is under attack from his own Labour Party over Iraq, and because he is not supporting Sen. John Kerry, the candidate of the Democratic Party, considered to be the sister-party to Labour. A trip to the U.S. would be seen as an open endorsement of Bush, and would be going too far, the source says.

Wall Street Worries German Rallies Will Sink Hartz IV

The synarchist bankers' *Wall Street Journal* Aug. 25 reflects fears that the growing Monday demonstrations in Germany, in which Helga Zepp-LaRouche and the LaRouche Youth Movement are playing a leading role, will overturn the Hartz IV austerity plan the bankers have foisted on Chancellor Gerhard Schröder. The prominent article, along with a photo of demonstrators in Leipzig, begins: "The restructuring of the world's third-largest national economy has hit an unexpected snag: Germany's depressed east is in revolt against welfare cuts and the dominant political parties."

"Civic groups have organized grassroots protests across eastern Germany on Monday nights for the past month. These hark back to the Monday-night demonstrations 15 years ago, when East Germans took to the streets to oppose communism. This time, however, the demonstrators are calling for an end to cuts in social-welfare programs—a key element of deregulation efforts—that are hitting those in the east particularly hard."

"The street protests—this week's drew nearly 80,000 people nationwide—come too late to derail Germany's economic retoolings. But with the east—where a preponderance of swing voters magnifies its influence—turning against further changes, political leaders are under pressure to talk less about free-market economics and more about social justice. The likely upshot: An end to further economic restructuring until national elections in two years...."

"That could be bad news for the world economy...."

"The protesters' primary target is a law passed last month that cuts benefits for the long-term unemployed...."

The article complains that Schröder's government, and western German unions, "object to turning the east into a low-wage zone."

It concludes: "Mr. Schröder's government has had more success in overhauling taxes, welfare, labor regulation and pensions than some neighboring countries such as France and Italy. But the government has shown no appetite for further initiatives."

Former CDU Official Speaks Out Against Hartz IV

In an interview with western Pfalz edition of the *Saarlaendische Zeitung* daily, Aug. 21, former CDU official Heiner Geissler voiced harsh criticism of the pro-Hartz IV policy of party chairwoman Angela Merkel. Geissler said that with Hartz IV, growing impoverishment will increase, resembling the situation in the United States. He said the CDU should never have voted for the Hartz IV package in the first place, because the policy runs contrary to the essence of Christian Democracy. Moreover, Hartz IV's drive toward expropriation of welfare recipients and long-term unemployed, is a violation of the German Constitution, Geissler said.

German Politician Pushes 'Transrapid from Berlin to Moscow'

Peter Gauweiler, a maverick member of the CSU party, was host of the popular talk show "Muenchener Runde" on Bavarian television Sept. 25, together with former Finance Minister and current Schröder Social Democratic opponent Oskar LaFontaine. The discussion theme was the popular protest against Hartz IV, and what opponents are proposing as alternatives. Soon, the discussion came to the issue of jobs-creation, and the moderator asked his guests whether they really think it could be possible to create many jobs and quickly, and with what policy.

Gauweiler answered: "With a few large projects, for instance a Transrapid from Berlin to Moscow, or the Munich-Prague highway, we could do it overnight." Gauweiler also insisted that the German government should impose a stop to EU open-bid regulations, which are preventing German firms from winning public work bids in Germany. Challenged by the

moderator, Gauweiler was not afraid to say that the state should borrow money (i.e., incur "debt") in order to finance such projects.

LaFontaine did not interrupt or criticize Gauweiler, and supported the idea of a "conjunctural investment program." However, he came out with a doctrinaire Keynesian formula, saying that the government should imitate Alan Greenspan's money policy, and lower interest rates. The result of such a policy shift, LaFontaine said, would be visible in terms of job creation in one-and-half years.

Volkswagen Seeks 30% Cut in Labor Costs

Peter Hartz, who is VW's personnel chief, and head of the Hartz IV austerity commission, announced at an Aug. 23 press conference in Wolfsburg that the VW management is heading for a confrontation in the contract talks starting on Sept. 15. Hartz said there is "no room for salary increases" because, "times have changed." Volkswagen could only keep its 177,000 jobs in Germany over the next two years if it can freeze wages in the same period. Until 2011, Volkswagen is seeking a 30% cut in labor costs, in order to become more "competitive." The trade union IG Metall described the Hartz proposals as "extreme, unrealistic and poorly thought out."

Wide Coverage in France of German Anti-Austerity Campaign

On Aug. 24 a flurry of articles appeared in the French press prior to and following the Monday Aug. 23 demonstrations in Germany. *Le Monde* reported extensively on the 70,000 who demonstrated in 140 German cities, noting that the movement is divided and has no long-term program.

The lead article, written by the Leipzig correspondent, conveys a clear sense of history in the making: "Perhaps historians and political scientists will one day talk about the moment when 'the mayonnaise' took hold, the day when thousands of demonstrators of eastern Germany decided to go demonstrate each Monday in the streets to protest against the social reforms of Schroeder." *Le Monde* quotes Volker Kuelow, president of the former East German Leipzig PDS, who claims that it was the day when the unemployment agency started distributing the 16-page questionnaire worked up by the Economics Ministry, upon which further unemployment pay depended. "All of a sudden, people realized that this would hit them. All those questions about their small means of subsistence were not reassuring. They felt undressed, socially degraded. And, since then, they are demonstrating." Kuelow explains then that "when the wall fell [in 1989], Leipzig had 500,000 inhabitants and 100,000 industrial jobs. Fifteen years later, there are still 500,000 inhabitants, but no more than 12,000 jobs." *Le Monde's* Leipzig correspondent, George Marion, reports the current sentiment in the former East Germany that they are victims of a reunification that was nothing but looting.

Anti-Austerity Contagion Spreads to France

Le Figaro Economie had a front-page article on Aug. 17 on the Monday demonstrations, noting how many parallels one can establish between this reform and the one the French government would like to carry out. After reporting on the growth of the demonstrations, *Figaro's* Cecile Calla reports from Berlin, that this reform "has numerous points in common with that initiated in France." She reports on the Schroeder government's appeasement policies which however have not been able to "lighten up the social climate," and cites Sedram Sharyar, an ATTAC leader, to the effect that "The corrections are clearly a consequence of the demonstrations and show that it is worth revolting."

Russia and the CIS News Digest

Terrorists Strike Down Russian Airliners

For two days after the nearly simultaneous crashes of two Russian domestic flights on the night of Aug. 24, Minister of Transportation Igor Levitin, as chairman of the investigatory commission, said that all possible causes were being considered and that "human error and aircraft condition" were the most likely. With elections in Chechnya scheduled for Aug. 29, to choose a successor for assassinated President Akhmad Kadyrov, an early conclusion that "Chechen terrorists" had succeeded in downing the planes seemed undesirable in Moscow. From the outset, however, President Vladimir Putin assigned the Federal Security Service (FSB) to the investigation.

By Aug. 26, Presidential Representative for the Southern District, Vladimir Yakovlev, said the crashes were most likely terror attacks, and on Aug. 27 and 28 investigators confirmed finding residue of the explosive known in Russia as hexogen (also known as RDX and cyclonite), in the wreckage of both planes. They also said that on each plane, one female passenger bought a ticket shortly before take-off, used a Chechen last name, and has not been the subject of any family inquiries after the crashes; thus, the twin crashes are being treated as suicide bombings.

The Volga-Aviaexpress Tu-134 jet that crashed in Tula Province had taken off from Domodedovo Airport in Moscow, bound for Volgograd in southern Russia. The other flight was a Sibir Airline Tu-154 on the Moscow-Sochi route, originating from the same airport. It crashed near Rostov-on-Don. In each case, the pilots were able to press an alarm button, but had no time to say what was happening. Eighty-nine people died. Putin interrupted his working vacation, returning from Sochi to Moscow Aug. 25 to meet with security officials, and declared Aug. 26 a national day of mourning.

'Islambouli Brigade' Claims Responsibility

On Aug. 27, an organization called the Islambouli Brigade web-posted a claim of responsibility for the Russian plane crashes. The group is named after Khaled al-Islambouli, assassin of Egypt's President Anwar Sadat, and is now led by his brother, Mohammad Shawk al-Islambouli. In early August, the Brigade was implicated in an assassination attempt on Pakistan's then-Finance Minister and now Prime Minister, Shaukat Aziz. According to an Indian intelligence source, the same group was involved in the recent simultaneous bombings of the U.S. and Israeli embassies in Tashkent, Uzbekistan. An offshoot of the Egyptian Al Jihad Muslim brotherhood network, the Islambouli Brigade has evidently formed a strong working relationship with some groupings within the Chechen insurgency and with the Islamic Movement of Uzbekistan (IMU), while also having a base in Pakistan. The IMU is active in most Central Asian countries.

According to the same source, the Islambouli group is not simply going after Russia because of Moscow's policy in Chechnya, but also alleges that Putin's Russia is accommodating the "Zionist-run United States" in Central Asia, to subjugate Muslims. The group is particularly anti-Israel.

Saakashvili Warns of War

Interviewed in the French newspaper *Liberation* Aug. 24, Georgian President Michael Saakashvili warned that Russia and Georgia were "very close to a war." The Russian Foreign Ministry responded with an official statement the next day, saying that while militant rhetoric is par for the course with the current Georgian leadership, Saakashvili's latest remarks showed "a complete absence of any sense of measure, bordering on irresponsibility by any measure—whether personal, or as a matter of state." In South Ossetia, a ceasefire has held since fighting between South Ossetian and Georgian forces, also involving Russian peacekeepers, on Aug. 19.

Azeri Analysts See U.S. Bases in Azerbaijan Soon

U.S. Secretary of Defense Donald Rumsfeld visited Baku a few days before Washington announced redeployment of U.S. troops based in Europe and Asia. This has led Azeri political analysts to conclude that the Azeri government will soon host

U.S. troops, wrote Fariz Ismailzade in an Aug. 23 EurasiaNet article, though the Azerbaijani government remains coy on the question of bases.

Azeri media have seized on recent comments attributed to Gen. Charles Wald, deputy commander of U.S. troops in Europe, about Azerbaijan, Uganda and the island state of Sao Tome as potential host sites for U.S. rapid deployment forces. According to Azeri media reports, the United States would like a base in Azerbaijan to ensure the security of the Baku-Tbilisi-Ceyhan oil pipeline and to monitor developments in Iran. From the Azeri viewpoint, the presence of U.S. troops in Azerbaijan would provide an increased political support for a Nagorno-Karabakh peace settlement with Armenia, to the Azeris' liking.

McCain Wants Belarusian President Ousted

During a visit to new NATO member Latvia on Aug. 21, U.S. Sen. John McCain (R-Ariz) met with members of the opposition from neighboring Belarus, RFE/RL Newsline reported. After the meeting, McCain was quoted in local media as saying that the U.S. Congress wanted to help the opposition "free Belarus from tyranny," by exerting "international pressure" to oust President Alexander Lukashenka, whom he accused of running a Soviet-style dictatorship. On Aug. 23, the Belarus Foreign Ministry denounced McCain for his "provocative and insulting language."

Also on Aug. 23, Lukashenka was in Sochi to meet with Russian President Putin, who said at their press conference, that the people of Belarus "should decide for themselves" who their leaders will be. Parliamentary elections will be held in October. Putin and Lukashenka discussed the draft constitution of the Russia-Belarus Union, and set 2006 as the target date for adoption of the Russian ruble as their joint currency.

Russia Grants Trade Preference to Ukraine, as Elections Near

"Vladimir Putin Supports Victor Yanukovich and Ukraine's budget," was *Izvestia's* headline on an Aug. 19 article about recent positive developments in Russian-Ukrainian political relations. Just before hosting Ukrainian President Leonid Kuchma in Sochi on Aug. 21, President Putin signed a law to eliminate VAT on Russian fuel exports to Ukraine. The change is expected to save Ukraine \$800 a year, and has been promoted as compensating Ukraine for losses it will sustain as a result of the enlargement of the European Union; Ukraine's bilateral preferential trade agreements with the three Baltic countries were cancelled when the latter joined the EU.

In Ukrainian domestic politics, the new Russian law is regarded as a success of the present government of Prime Minister Victor Yanukovich. He is running in October's Presidential elections as Kuchma's preferred successor. The other leading candidate, former Central Bank chief and Prime Minister Victor Yushchenko, advertised himself in an Aug. 24 *Wall Street Journal* op-ed as the candidate of "democratic values" and "the rule of law."

Russian Gov't Quarrels Over Economy Break Into Open

Mid-August Russian government sessions on monetary, budget, and growth targets for 2005 were tense and marked by open disputes. The Central Bank continues to submit more pessimistic prognoses for the rate of inflation, including on politically sensitive products like bread, than the government has offered.

As for the parameter of "GDP growth" (quite apart from the fact that it is axiomatically inadequate for measuring real economic growth or shrinkage), Minister of Economics German Gref and Finance Minister Alexei Kudrin took the posture of "realists" at the Aug. 19 cabinet meeting, confronting Prime Minister Mikhail Fradkov. Reviewing Gref's brief on what is to be done in 2005, Fradkov expressed the opinion that "more reserves could be mobilized to fulfill the President's task

of doubling GDP." This seemingly calm assertion unleashed a heated debate. Gref stated that GDP growth will not exceed 6.7% in 2005. Kudrin allowed as how it might be raised to 7.5%, but only if the Prime Minister were to take personal responsibility for achieving this result—by moving to implement delayed "structural reforms" like the reorganization of Gazprom (the natural gas monopoly) and reform of residential utilities pricing, upwards. An angry Fradkov then rejoined that "in the practice of the government's work, rotation of key ministers is very useful."

Kudrin and Gref met with President Putin in Sochi on Aug. 21, to seek backing in these still unsettled disputes.

Southwest Asia News Digest

Bush Backs Sharon's Massive Settlement Expansion

The announcement on Aug. 17 by Israel of the approval of 1,000 new housing units to be built on Palestinian land in the occupied West Bank merely exposes once more the sham of Israeli Prime Minister Ariel Sharon's so-called "disengagement plan." More important is the fact that Sharon is acting with the full support of the Bush Administration.

The *New York Times* quotes a Bush Administration official saying the weak statements made by the Administration following Sharon's announcement, reflect "a covert policy decision toward accepting natural growth" of some settlements. Both U.S. and Israeli officials admit that this policy was worked out with Sharon during the recent visit to Israel of Elliot Abrams, the National Security Council's top neo-con in charge of Middle East policy. The move makes a mockery of the Administration's own declared policy, the so-called Road Map for a Middle East peace, which calls for ending all expansion of settlements and removal all outposts.

It is becoming more and more obvious that Sharon's "disengagement plan," and the Bush Administration's continued support, is just Sharon's latest scheme, under which he can continue the relentless expansion of the settlement enterprise, and crush the Palestinian resistance. At the same time, Sharon's phony disengagement plan provides his war cabinet time for preparation for a new regional war, with Iran as the first target.

However, it is Sharon's own population which is exposing his lies. For the past several weeks, a group of homeless Israelis have been living in tents just across the street from Sharon's Jerusalem office. They are protesting the fact that Sharon's brutal economic austerity policies have left them, and many thousands of others, homeless. The pitiful sight of these "Hoovervilles" in Israel, did not stop Sharon from announcing the constructions of yet another 1,000 housing units, built at the expense the Israeli taxpayer. The cost of the occupation comes directly out of the pockets of Israel's poorest Jewish and Arab citizens.

And, the only reason the Israeli economy has not yet collapsed under the burden of this unbridled expansion and ongoing war against the Palestinians, is the fact that the Bush Administration has given Israel \$10 billion in loan guarantees, at the expense of the American taxpayer.

Following the 1967 Six-Day War, and the capture of the West Bank and Gaza Strip, when Sharon started the settlements policy, the first settlements were called "security settlements" whose alleged purpose was to be the "eyes" of Israel's advance defense line. In the 1990s, as international pressure against the settlements grew, including from the United States, the new term created for expansion was "natural growth" of existing settlements.

Far from being "natural," the settlement population doubled during the 1990s. Sharon's latest euphemism is building homes in what are called "consensus" settlements which Sharon alleges are among the settlements that are within the "political consensus" in Israel!

This new term has only been in vogue for a few weeks, and has been used to justify thousands of housing tenders approved by the government. The numbers are impressive. On Aug. 2, the government announced the approval of 600 housing units for the largest settlement on the West Bank, Ma'aleh Adumin. The announcement was still in the headlines when Elliot Abrams was in Israel on Aug. 4. In the meeting with Abrams, Sharon openly lied that "no such plan exists," and the American neo-con envoy covered up Sharon's lie. The very same day as the Abrams meeting, the Israeli Defense Ministry, which is responsible for approving new housing in the Occupied Territories, revealed that the 600 new units were personally approved by Sharon and Defense Minister Shaul Mofaz last June.

Then, on Aug. 17, tenders for another 1,000 units were announced. On the same day, the Israeli daily *Yediot Ahronot* reported that tenders for yet another 600 units would be released shortly. Thus, in a matter of weeks, Sharon expanded the settlements by no less than 2,200 housing units, enough to expand the settlement population by up to 20,000 people.

But all of this is the only the tip of the settlement iceberg. The Israeli daily *Ha'aretz* reported Aug. 24 that in the one settlement of Upper Modi'in, every year 1,200 new housing units go on sale. No fewer than 6,000 new housing units are under construction. The plan is to expand this settlement of 27,000 inhabitants, to 150,000!

The Israeli Peace Now group has condemned these latest announcements of new housing, saying in a statement, "The boss has gone mad. Sharon has decided to scoff at his government's promise to freeze construction in settlements. Rather than disengagement, he is carrying out massive occupation in Judea and Samaria [the West Bank]."

Meanwhile, despite the so-called disengagement plan, calling for the evacuation of the settlements in the Gaza Strip, settlers are busy building new and expensive hot-houses on their farms.

Settlement council member Eran Sternberg, when asked why they were constructing new buildings, said, "No one can plan his future on the basis of vague declarations by Sharon. What if nothing happens in the end?... We generally believe there will be no evacuation, and if we stop building it will make our stand weaker."

Jewish Peace Leader Denounces Minister for Nazi Policies

In an Aug. 26 commentary that is being published internationally, Israeli peace camp leader Uri Avnery portrayed Israel's Internal Security Minister Tzahi Hanegbi as a Nazi.

Hanegbi, wrote Avnery, was in character when he said the Palestinian hunger strikers could die, as far as he was concerned—Avnery had published a picture of Hanegbi, years ago, "hunting Arab students with bicycle chains," like Nazi youth in the 1930s, "with a small difference: in the '30s the Jews were the pursued, now they were the pursuers." As Director of Prisons, Hanegbi has done everything possible "to create intolerable conditions for the Palestinian prisoners," writes Avnery. He ridicules the justification of this and other atrocities by the excuse that "we are at war," or that they are not soldiers, but "terrorists who kill civilians," asking if there were a difference between those who dropped nuclear bombs on Japan, or on a Baghdad market, and those who deploy car-bombs. And, unfortunately, he writes, "the Americans have learned from us," as shown in Guantanamo.

Top Sharon Minister Investigated for Corruption

Israel's Police and Security Minister Tzachi Hanegbi, was condemned by Israeli Comptroller General Eliezer Goldberg for massive cronyism in placing political supporters into government positions.

Goldman described Hanegbi's actions as "gross trampling underfoot of the law and of rules of proper administration, politicization of the civil service, and exploitation of public resources to advance personal-political affairs." The report said Hanegbi was so systematic about it, that he asked "to be told of every job opening in the ministry so he could present a candidate of his own." In some cases, if jobs didn't exist he would create them.

A leading member of the right-wing Likud party, Hanegbi is one of the most extreme members of the party. He is the son of Geula Cohen, former member of the right-wing Irgun and member of the fanatical Temple Mount Faithful. The investigation covered the period when Hanegbi was Environmental Minister in Ariel Sharon's first government. Goldberg opened the investigation after Hanegbi distributed a report in the run-up to the previous elections among the Likud central committee members who select Likud candidates for the Knesset, bragging of having placed no fewer than 80 central committee members into choice jobs in his ministry. Goldman called the practice "cronyism," which is supposed to be illegal in "properly run states," even in Israel.

Israeli Attorney General Menachem Mazuz met with senior Justice Ministry officials to decide whether to open a criminal investigation.

Meanwhile, Shmuel Hollander, the Civil Service Commissioner, announced that the dismissals of those appointed by Hanegbi could soon follow this report. "I don't remember an instance of so many appointments in one ministry," he said. "There will be disciplinary measures against job holders."

Assassination Attempt on Arafat's Intelligence Chief

On Aug. 26, Tareq Abu Rajab, the chief of intelligence for Palestinian National Authority President Yasser Arafat, was the target of an unsuccessful assassination attempt. Although he survived, Abu Rajab, who resides in Ramallah, where he has been in close proximity to Arafat, is in serious condition, while two of his body guards were killed. The assassination attempt was well organized, with gunmen firing from two cars.

Abu Rajab is close to Arafat, but has remained neutral during the ongoing internal dispute between Arafat loyalists and opposition factions.

The timing of the attempted assassination coincides with recent efforts for a reconciliation among Palestinian factions. Arafat just met with Mohammad Dhalan, the former security chief in Gaza, who has made himself the top critic of Arafat. A well-placed Israeli source said the meeting was supposed to effect a reconciliation. Sharon, of course, is not interested in seeing such a reconciliation among Palestinian factions, since his goal is to destroy the Palestinian national movement.

Asia News Digest

Pakistani, Afghan Presidents Meet

Afghan Interim President Hamid Karzai, who was on a two-day (Aug. 23-24) visit to Pakistan, was promised by Pakistani President Pervez Musharraf that Islamabad would do its best to prevent any disruption to the Afghan Presidential election scheduled to be held on Oct. 9. The two leaders had a closed door meeting in Islamabad.

Speaking to the press after his talks with Karzai, President Musharraf said there was a possibility that the militants are crossing into Afghanistan from Pakistan, but that no one should doubt Pakistan's intentions and those of its security agencies. Musharraf made this statement soon after the Pakistani military announced that it had killed four foreign militants of Uzbek origin, along the Afghan-Pakistan border.

In addition to the assurance given by the Pakistani President, Karzai and Musharraf also discussed an exchange of prisoners. Hundreds of Pakistanis fighting for the Taliban were captured by the U.S. invaders and their Northern Alliance allies during the winter of 2001. On the Pakistani side, over the last two years, Pakistani security forces have captured a number of Afghan militants and they are lodged in Pakistani jails.

U.S. Approves Military Equipment for India

According to the U.S. Charge d'Affaires in India, Robert O. Blake, the United States has approved "compatible equipment and communications and technologies" for India in the wake of the two countries' engagement in joint military exercises, the *Daily Times* of New Delhi reported Aug. 23.

Addressing the Army War College in Indore, in the Indian state of Madhya Pradesh, Blake said two more radars, part of a 12-unit \$190 million sale agreement, would be added shortly. This is in addition to two AN-TPQ/37 Firefinder counter-battery radars that arrived in New Delhi in July 2003.

The second major deal being negotiated, Blake said, was the acquisition of P-3 Orion naval reconnaissance plane. He said the version that would be sold to India would be equipped with the latest avionics, including sensors and computerized command and control and weapons systems. India also says it would like to buy from the United States the deep-submersible rescue-vessel system.

More Violence Promised by Taliban

Jean Arnault, head of the UN Assistance Mission in Afghanistan (UNAMA), said on Aug. 25, that the Taliban and other extremist groups are preparing to step up their violent attacks ahead of the Oct. 9 Presidential election there. He urged Kabul to provide urgently needed protection for voters and electoral workers.

Explaining the tense situation that prevails in Afghanistan now, Arnault said that even the *threat* of violence could cause large numbers of eligible voters to stay away from the polls, especially in southern Afghanistan, where the Taliban still has a strong following. With existing security stretched thin, Arnault called for enhanced international support to cover the 5,000 polling sites across the country.

Arnault particularly blamed the Taliban and the Hizbe Islami leader Gulbuddin Hekmatyar for various earlier attacks on electoral workers, which have led to 12 deaths already. He said both the Taliban and Hekmatyar, who in the 1980s and 1990s was America's top Afghan asset, oppose Afghanistan's reconstruction process.

Tata Group To Invest \$2 Billion in Bangladesh

India's second-largest conglomerate, the Tata Group, is negotiating a \$2 billion investment in Bangladesh's power, steel, and fertilizer industries, according to *Oxford Analytica*, a British news and analysis service. The report says Dhaka has already agreed in principle to the terms of the deal.

Tata Group's revenues are almost equal to 3% of India's GDP. The project proposal involves utilization of Bangladesh's natural-gas supplies to a power-generation complex comprising a 1,000 MW power station, a fertilizer plant, and a gas-fired steel-finishing factory, all of which Tata would construct. Tata is seeking a 20-year guarantee of gas supplies at a price tied to an agreed formula.

The tense political climate in Bangladesh, which is also mirrored in other smaller nations in South Asia, such as Nepal and Sri Lanka, could be constrained through adequate physical infrastructure development. If Dhaka accept the proposal, it may offer a new way forward for providing key benefits to Bangladesh's underdeveloped infrastructure and sagging economy.

Bombing in Southern Thailand Ahead of PM'S Visit

A bomb ripped through a morning food market in southern Thailand on Aug. 26, killing one and injuring at least 24 others, including police and soldiers gathering for their morning meal, AFP reported Aug. 26.

The 7:30 a.m. blast happened in Narathiwat province's Sukhirin district, bordering Malaysia. Thai Prime Minister Thaksin Shinawatra is set to begin a visit to the troubled region on Aug. 27. Thaksin said the attack would not deter him from touring the region.

The attack coincided with internet postings Aug. 22 on a Thai separatist group's website, warning villagers to stay away from crowded areas, airports, train stations, entertainment venues, police stations, and official informants.

"Don't go and welcome important people of Siam [Thailand's former name], and we ask for your cooperation not to go out at night," said the announcement, allegedly issued by the outlawed Pattani United Liberation Organization.

Iran Foreign Minister in Manila with Multiple Agenda

Iranian Foreign Minister Kamal Kharrazi arrived in Manila on Aug. 26 for talks with President Gloria Macapagal-Arroyo, Foreign Minister Alberto Romulo, Trade and Industry Secretary Cesar Purisima, and the Presidential Advisor on the Peace Process with the MILF. Subjects to be discussed include Iranian development assistance for the southern island of Mindanao, and Iran's support for the Philippines being granted observer status with the Organization of Islamic Conference (OIC), which could help facilitate talks between the Moro Islamic Liberation Front (MILF) in Mindanao.

In 2000, Iran committed to assist the Philippines in the economic development of Mindanao, by approving a \$100 million credit facility for the Mindanao Investment Group and the donation of medicines to the Autonomous Region of Muslim Mindanao.

Singapore PM Strongly Sticks To One China Policy

Incoming Singapore Prime Minister Lee Hsien Loong, the son of long-term Prime Minister Lee Kuan Yew, in his first National Day speech as Prime Minister, made his strongest statement yet in support of a "one China" policy, devoting a full 20 minutes of his address to the subject. Lee referred to his July 10-13 visit to Taiwan, which China sharply criticized at the time. But in his National Day speech, Lee Hsien said: "I regret that my visit to Taiwan caused this severe reaction from China, which affected relations. I also regret the way the Taiwanese media chose to play up my private and unofficial visit." He added: "When interests diverge, they have to put theirs first, and so must we.... If Taiwan goes for independence, Singapore will not recognize it. In fact, no Asian country will recognize it. Nor will the European countries."

Malaysian PM to Seoul To Improve Cooperation

Malaysian Prime Minister Dato Seri Abdullah Ahmad Badawi arrived in Seoul Aug. 22 for a three-day visit, to improve bilateral relations, including discussions on how to improve cooperation between the two countries and in the region, especially with regard to the ASEAN 3+ framework, including China, India, and Japan. Areas for greater cooperation

include industry, science, and research and development.

Badawi's visit, at the invitation of President Roh Moo-hyun, is his first to South Korea since he assumed the post of Prime Minister last October. The visit is all the more significant, since Malaysia currently serves as chairman of both the Non-Aligned Movement and the 57-member Organization of Islamic Conference (OIC).

The Malaysia-based *New Strait Times* President Roh may seek Malaysia's support on its plan to send 3,000 troops to Iraq, a move opposed by some in Seoul, especially after the beheading of a South Korean hostage by militants in Iraq.

Africa News Digest

The Thatcher Coup: First Time Tragedy, Second Time Farce

Sir Mark Thatcher, son of former British Prime Minister Lady Margaret Thatcher, was arrested Aug. 25 in Cape Town, South Africa, because "credible evidence" indicated he helped finance the March coup attempt in Equatorial Guinea. The coup attempt was reported in EIW's Africa Digest, Volume 3, numbers 11-13. The best way to understand this case, is to see it as a covert replay of the "coalition of the willing" and the disastrous Iraq war. As the saying goes, "first time, tragedy; second time, farce." Putting aside obvious differences, the similarities to Iraq are striking:

1) Regime Change. The target of the coup was an oil-rich country headed by a dictator, but this time in West Africa's hot new oil El Dorado, the former Spanish colony, Equatorial Guinea, led by President Teodoro Obiang Nguema. Since oil was discovered in 1995, there have been four attempts to overthrow the Obiang regime.

2) Coalition of the Willing. The same powers that went to war in Iraq backed the coup, in one way or another. There was a Bush Administration interest because the main oil companies in the country include Exxon-Mobil, ChevronTexaco, Amerada Hess, and Marathon Oil. Dick Cheney's own Halliburton is involved in giving technical support to the petrochemical companies' operations in the country. Earlier this month, the Securities and Exchange Commission opened probes into these same oil companies (but not Halliburton) for making illegal payments to the President that eventually landed in Riggs Bank, in Washington. In June, the U.S. Navy held an exercise in the oil-rich Gulf of Guinea, as a "show of force," according to a U.S. diplomat quoted at the time.

Spain is involved, not only as the former "mother" country, but also because the would-be Ahmed Chalabi of Equatorial Guinea, Severo Moto Nsa, is living in exile in Madrid, ever since his coup attempt in 1999 ended in failure. Moto reportedly met then-Prime Minister Jose Maria Aznar on at least three occasions. According to some press reports, Aznar gave his blessing to the coup. According to *Africa Analysis*, the coup was initially planned for February, when Spain sent its naval ships into the area for exercises. The coup was postponed when Obiang, thinking the obvious, refused to allow the ships to use the port of Malabo.

3) The UK supplied the muscle with Her Majesty's "dogs of war." This privatized regime change was to be carried out by the "rent a coup" operation of the notorious Simon Mann, the Eton-educated ex-SAS officer who founded Executive Outcomes and Sandline. His former partner, Col. Tim Spicer, just received a \$300 million private security contract from Rumsfeld's Department of Defense for security operations in Iraq.

The coup was allegedly financed by Mark Thatcher, who in the early 1990s was his mother's bag man in collecting millions in "commissions" for Middle East arms deals.

The other financier was Eli Calil, a Nigerian-born Lebanese oil trader based in London. Calil changed his name from Elie

Khalil after he was arrested in June 2002 (though later released in Paris under orders of Judge Renaud van Ruymbeke), for his involvement as middle man in payoffs worth \$70 million to former Nigerian President Sani Abacha from the French oil company Elf Aquitaine, between 1989 and 1993. Some press reports indicate he might be involved in the "technip" bribery case, which involves Halliburton and Dick Cheney. Calil was also an adviser to disgraced Tory moneybags Lord Archer, who only recently was released from prison, after serving a sentence for perjury. Calil also once rented an apartment to Tony Blairs's "prince of darkness," Peter Mandelson.

The South African police say a third financier is involved, whom they described as a "former Thatcher cabinet minister," whose name they would not reveal.

Zimbabwe Court Finds Coup Plotter Simon Mann Guilty

A Zimbabwe court found British mercenary Simon Mann guilty of attempting to illegally purchase weapons in Zimbabwe, the *Mail and Guardian* reported Aug. 27. Mann was not charged with organizing the coup attempt in Equatorial Guinea, for lack of a law. Mann will be sentenced Sept. 10. The judge acquitted 66 others.

Washington Post: Overthrow Sudan Gov't 'By Whatever Means Necessary'

The government of Sudan should be 'removed by whatever means are necessary' says an op-ed in the *Washington Post* Aug. 23 by Eric Reeves, an English professor at Smith College and a poison pen for the Anglo-American powers against Sudan. The op-ed appeared on the day negotiations began between Khartoum and the rebels in Abuja, Nigeria.

How will the government be overthrown? Reeves asks, and answers, "One consequence of the Iraq war ... is that public discussion of regime change by the U.S. will resonate much more deeply in Khartoum's despotic thinking. If it is coupled with serious efforts to work with our European allies to squeeze Khartoum by means of comprehensive economic sanctions, ... we may *first* be able to secure a permissive environment for humanitarian intervention in Darfur" (emphasis added).

ICG Contempt for African Union's Sudan Talks

The *Washington Post* op-ed by Eric Reeves (see above) is in line with the agenda of the International Crisis Group (ICG), which showed contempt for the African Union's Sudan talks by dismissing them as they were just beginning on Aug. 23. The new ICG report, "Darfur Deadline: A New International Action Plan," says the international community has been "limp," and Khartoum has done nothing. The UN Security Council must, on Aug. 30, impose mandatory sanctions against individuals and key businesses of the ruling party, especially in the oil services sector; impose a mandatory, monitored arms embargo against the *government* (no mention of the insurrectionists); and authorize the African Union (AU) to deploy to Darfur at least 2,000 troops, "and preferably many more," to "provide civilian protection and use force as necessary." The AU must be prepared to ask the UN to impose a no-fly zone. The U.S., EU and others should provide the AU with funding, equipment, and transportation, and develop contingency plans "to provide appropriate military reinforcement to the AU-led mission if it encounters serious resistance."

The SLA and JEM insurrectionists are told to implement all provisions of the April 8 ceasefire agreement, but no sanctions or other leverage is contemplated against them.

Obasanjo: Sanctions Against Sudan a Disaster for Africa

Nigerian President Olusegun Obasanjo, current AU Chairman, warned Aug. 24 that sanctions would be "a great disaster for

Sudan, the government, the people, and indeed for Africa."

The government of Sudan will accept AU troops as peacekeepers if their work will include disarming the insurrectionary forces, Reuters reported Aug. 28 from the negotiations underway in Abuja, Nigeria. The two rebel movements, however, reject the proposal, saying they will only disarm after a comprehensive political settlement. Earlier disarmament would severely limit their leverage. Yet the current agenda puts disarming ahead of a political settlement.

Rwanda, Burundi in Provocations Against Congo

Congo brought home all of its diplomats from Bujumbura, Burundi, Aug. 20—without breaking diplomatic relations—after Congolese Tutsi held violent protests outside Congo's embassy there, breaking windows and tearing up its flag. Tutsi-controlled Burundi is a satellite of Rwanda.

In another provocation, Capt. Desire Ntumba, army chief of information, and his assistant were assassinated in Goma, stronghold of the Rwanda-run Congolese Rally for Democracy (RCD) party, Aug. 19.

RCD Prepares War, Makes Demands Government Cannot Accept

The Congolese Rally for Democracy (RCD), led by Azarias Ruberwa, announced Aug. 23 that it was suspending its participation in the transitional government at the cabinet and parliamentary levels, pending the acceptance of demands that include the removal of Gen. Mbuza Mabe from the command of the 10th Military Region (Bukavu), and a reduction in the number of government troops in the East. *La Reference Plus* comments, "All of these conditions, obviously unacceptable to the rest of the government, could give Ruberwa & Co. the necessary pretext for slamming the door of the institutions of transition." Congolese President Joseph Kabila told the press Aug. 24 that "the transition will not be renegotiated."

Demain le Congo Aug. 23 draws attention to concurrent developments that portend something uglier than political haggling:

* A gathering of Banyamulenge (Congolese Tutsi) from around the country and the world is taking place in Goma.

* For days, a quiet manhunt has been taking place in North Kivu for people from South Kivu, who are accused of hostility to Banyamulenge. Cases of summary execution are reported from Bunangana near the Rwanda border.

* Almost 2,000 local soldiers in Goma (not Banyamulenge) have left for Bukavu to join the 10th Military Region, having feared their isolation in Goma. This leaves the army in North Kivu entirely in the hands of Banyamulenge and their allies in the Rwandan army.

* Fifteen military trucks, contents unknown, came from Rwanda Aug. 17, and were headed for Minova where Gen. Nkunda and his troops are encamped.

ICG: 'Act Quickly' To Prevent 'Large-Scale War' in Congo

Gareth Evans, head of the International Crisis Group (ICG), sent a letter Aug. 24 to the Foreign Ministers of the U.S., UK, France, Belgium, and South Africa, as well as to UN Security Council permanent members, calling on them to act rapidly to prevent a "large-scale war" in Congo. Evans is a former Australian Foreign Minister.

Evans emphasized that the current level of international support for the Kabila transitional government is insufficient. The number of UN troops, he said, is insufficient, and many of them are poorly trained, equipped, and motivated. He urges the Security Council to implement Kofi Annan's recommendations of Aug. 16, including an additional 13,100 troops. France supports the plan, but the U.S. is resisting it. "The new force should include 100 NATO-trained staff officers to supervise the proposed creation of a Division HQ in eastern Congo," he said. Evans also supported the inclusion of a fast reaction force and a special forces component. He reproached Congo's neighbors for continuing to destabilize the country.

WHO: Resurgence of Epidemics in All Congo Provinces

There is a resurgence of epidemics in all Congo provinces, including measles, cholera, and meningitis in most of them, as a result of "the declining socio-economic situation" and "the deterioration of the health system," Florent Ekwanzala told Radio Okapi in Kinshasa. He is in charge of WHO's disease control unit there. He also reported 80 cases of plague in Ituri province (northeast).

South Africa To Transfer Farmland to Blacks

In South Africa, a plan for transfer of farmland from whites to blacks with compensation, is being drafted, the *Independent* of Johannesburg reported July 30. The plan, announced by Agriculture Minister Thoko Didiza toward the end of July, requires 35% black ownership of mainly white-owned agriculture-based companies by 2008. The policy requires 10% ownership by farmworkers of all farm-level enterprises by 2008, and that 50% of farm expenditure go to black-owned companies by 2010 and 70% by 2014. Legislation will follow.

Tourist Game Parks Replace Agriculture in South Africa

The lack of protection is killing South African mechanized agriculture. That message can be read between the lines of a *New York Times* article Aug. 20 celebrating the replacement of large farms by profitable private game parks for tourists. A ton of imported U.S. corn can be bought for \$125, but can cost \$180 to grow.

The phenomenon is countrywide, and very pronounced in Zululand, where "there are at least 140 private preserves in KwaZulu/Natal, covering a thousand square miles of mostly converted farmland," according to the Times.

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