

[return to home page](#)

This Week You Need To Know

Halliburton's War

by Jeffrey Steinberg

President George W. Bush landed in a Navy S-3B jet on the deck of the aircraft carrier *USS Abraham Lincoln*, off the California coast, on May 1, 2003. In what may go down in history as the most expensive pre-election campaign stunt by a sitting American President, Bush delivered the words that now haunt his Presidency: "Mission accomplished."

President Bush was referring to the Iraq War, which had commenced on March 19, 2003. By May Day, the "hot" combat phase of the war had ended, with 170,000 American troops, 35,000 British troops, and a smattering of other "Coalition" forces occupying the capital city of Baghdad and a number of other Iraqi cities and towns. Saddam Hussein and his two sons were in hiding, the insurgency that would soon grip the country had not yet begun in earnest, but, as the world now knows, the "mission" was, and still is, anything but "accomplished."

Nevertheless, as President Bush was prancing around the deck of the *USS Abraham Lincoln*, telling the sailors how much he "preciated" their efforts, hard-working combat commanders from the Central Command (CENTCOM), and officials of the interim occupation authority, the Office of Reconstruction and Humanitarian Assistance (ORHA), under Gen. Jay Garner (ret.), were cobbling together a plan for the rapid transfer of power to the Iraqis—a plan that offered the last best hope for an exit strategy, to restore stability and sovereignty to an Iraq that is today viewed by many experts as caught hopelessly in a rapidly spreading, out-of-control civil war.

At the same time that there was still a chance to repair some of the damage done by the preemptive invasion, and do the right thing in Iraq, the U.S. State Department was being offered an opportunity to open comprehensive talks with Iran, covering everything from Tehran's assistance in the post-Saddam Iraq stabilization and reconstruction, to Iran's nuclear energy program, to Iran's relationship with Hezbollah, Hamas, and Islamic Jihad.

Within weeks of Bush's PR stunt on the deck of the *USS Abraham Lincoln*, all of these opportunities had been flushed down the toilet by the "Cheney-Rumsfeld Cabal," to use the terminology of Col. Lawrence Wilkerson (ret.), who was, at the time, the chief of staff to Secretary of State and former Joint Chiefs of Staff Chairman, Gen. Colin Powell (ret.).

Instead of a comprehensive solution to the Persian Gulf crisis, we got what can only be called "Halliburton's War," the three-year descent into Hell, during which time, thousands of American GIs were killed or maimed, Iraq became engulfed in an ever-growing asymmetric warfare insurgency, and a parade of private military corporations (PMCs), led by Halliburton, raked in tens of billions in U.S. taxpayers' dollars and Iraqi Oil-for-Food funds, left over from the Saddam Hussein era. Pentagon and Congressional investigations have confirmed that the PMCs, particularly Halliburton, have engaged in crass war profiteering, with the latest Pentagon audit concluding that Halliburton's Kellogg Brown and Root (KBR) subsidiary has systematically over-billed U.S. taxpayers by 25% on all of their Iraq logistics and reconstruction

contracts, since the beginning of the Iraq imbroglio....

...full article, PDF

Latest From LaRouche

LAROUCHE PRESS CONFERENCE IN MONTERREY, March 31, 2006

Here is Lyndon LaRouche's press conference, which was attended by two media representatives and several youth. After the press conference, LaRouche talked with some of the youth and supporters who had attended.

MODERATOR: Do you want to make introductory remarks?

LYNDON LAROUCHE: Yes, sure.

I've given a number of addresses, as well as at "Tec," during my recent visit here, and I thought it was appropriate to have a press conference, at which I could answer questions on matters which I have not covered in these addresses. The problem that I want to specifically focus on, is the fact that, in Mexico, even though it's next to the United States, some of the most important things that are happening inside the United States are not much discussed. Essentially, I have a very peculiar position inside the U.S. Democratic Party and institutions, particularly since 2004, July of 2004, when a lot of the Democratic Party leadership agreed to accept my leadership in some role. And we had a very successful year in 2005, where most of us were united, especially in the Senate and some people in the House of Representatives, in defeating Bush on the attempt to eliminate Social Security. The situation now is a little more tenuous, the Democratic Party is not quite as well-united, as much as it was then.

But all this is happening, at the point that the biggest financial crisis in modern history is now breaking out. The next three months are likely to be among the most crucial. And since there's an election in Mexico of some importance, I think it's important that I say what I have to say about the conditions which Mexico faces.

Essentially, the situation is this: The passing of the leadership of Alan Greenspan from the Federal Reserve Board left the world economy with the worst inflationary crisis in a very long period of history. The decision was made in leading circles, including the Federal Reserve Board, to shut down the international carry-trade. The international carry-trade is the biggest factor in inflation in the world today. But that means that you're going to have a very dangerous collapse of the world financial system which is going on right now. You have the bankruptcy of Iceland, the bankruptcy of New Zealand, the threat of a similar condition in Australia. This is going to affect every financial market in the world, and could trigger a real-estate mortgage bubble inside the United States.

So, we're entering a period, as you see, in France, strikes in France—mass strikes; a lesser degree, mass strikes in Germany; and volcanic, earthquake-like effects in other parts of the world.

So, what the situation is today with the Mexican Presidential campaigns, and what they will be at the time of the election, may be far different. I think that Mexicans should be informed of this, so I wanted to make myself available on that question.

Q: If the next President of Mexico turns out to be Andres Manuel Lopez Obrador, as the polls indicate, what does that

mean for the United States, that a leftist take the reins of power in Mexico?

LAROUCHE: That's not bad. It's not a serious problem. First of all, we have too much regime-change going on from the United States to other countries today. Especially in the Americas, we need a system of sovereign nation-states, which means the U.S. government must accept the decision of the people of Mexico in their choice of candidate, and not use pressure to try to interfere with the internal politics of Mexico. Instead of using pressure, we should use diplomacy, to try to find ways to work together with whoever the new President is. There's too much giving orders.

Q: Under current conditions where you have very good relations between the United States and Mexico, how will these—what will happen when the next government comes in in Mexico? Will the relations improve?

LAROUCHE: We are going to have a crisis in the United States in the meantime, and therefore there's a certain amount of uncertainty about what the conditions will be after July.

For example, right now, the entire U.S. domestic auto industry is at the verge of collapse. The international situation is—for example, the case of Iraq-Iran: The majority of Democratic and Republican legislators and similar people is for dumping the Bush policy of confrontation with Iran.

Because the situation for the U.S. military in Iraq is worse than ever it was in Indo-China. The Iraq situation is a total military disaster. The United States troops have got to get out, nearly immediately, despite Cheney.

So, we have the majority of Republicans *and* Democrats around the Congress say we have to get out. We can not walk away. We have to make an agreement with a number of governments, including Turkey and Iran, to achieve the stability of the region. And we cooperate, in withdrawing from the region.

This coincides with the worsening of the financial-monetary crisis. You look at the prices of gold, the price of precious metals, and non-precious metals: We have an *explosive, hyperinflationary collapse in process*.

My effort has been to get the U.S. government, especially the Senate—and you have people like Senator [Hillary] Clinton, the former President's wife, is among those who are working on this: My view is, the United States government has to take the auto industry into receivership to protect it, and buy up much of the capacity of the auto industry to build things like railroad systems, nuclear power systems, river systems, and other things that an engineering facility can do. Under these conditions, if we move in that direction, which we might, then it would not be difficult for the U.S. government to work together with a government, say, of the former Mayor of Mexico City [Lopez Obrador]. Because our great mutual interests, our cooperation on economy, and human relations. The fact that the largest single minority group in the United States is of Hispanic origin, which is also a very active group in the United States. Many have come recently from Mexico, especially the poorest. Therefore, the immediate issue on the table between the U.S. government and the Mexican government is the issue of dealing with this problem.

In my view, you take a state like Texas, the U.S. state of Texas, with about five states in Northern Mexico on the U.S. border: that obviously, the challenge is going to be to establish cooperation between Mexico and the United States government on social and economic solutions to the potential crisis, for example, all of this since the time of President Lopez Portillo here, when conditions were not as bad as now. Our policy has always been, to fight for the documentation of the so-called illegals in the United States, and then use Mexico's representatives inside the United States, the diplomatic representatives, to maintain responsibility for this relationship. Because it's a complicated situation. You can't make a simple formula, but you can always have a humane approach to solving whatever the problems are, and it has to be dictated by both governments together.

So therefore, the question is, the thing that would be on the table would be the economic issues and the social issues, especially with the illegals in the United States, and arrangements under which the two governments are in systematic cooperation dealing with border problems, and dealing with humanitarian problems. With a good government, a good change in government which could occur, fine. The danger is, that the Bush Administration might go the other way. And we have some very nasty people inside the United States, even though they're a minority.

InDepth Coverage

Links to articles from

[*Executive Intelligence Review*,
Vol. 33, No. 14](#)

To navigate the content of the [entire issue](#),
please begin by clicking anywhere on [Page 1](#).
[...Requires Adobe Reader®](#).

Feature:

Halliburton's War

by Jeffrey Steinberg

President George W. Bush landed in a Navy S-3B jet on the deck of the aircraft carrier USS Abraham Lincoln, off the California coast, on May 1, 2003. In what may go down in history as the most expensive pre-election campaign stunt by a sitting American President, Bush delivered the words that now haunt his Presidency: 'Mission accomplished.'

- What Rohatyn Wants To Hide

As moderator of a panel discussion of the Center for Strategic and International Studies (CSIS) Public Infrastructure Commission, held at the National Press Club March 27 (see article, p. 41), CSIS president John Hamre quashed any mention of Felix Rohatyn's remarks on privatizing the U.S. military. Hamre implied that the LaRouche Youth Movement questioner was lying about the 2004 Middlebury College privatization conference sponsored by Rohatyn and George Shultz. He told the LYM questioner...

Halliburton's Gross Profiteering Record In Cheney's Iraq War

by Carl Osgood

Halliburton may be the most corrupt and scandal-tainted company ever to get contracts from the U.S. Government, but that reputation doesn't seem to be slowing it down one bit. Rep. Henry Waxman (D-Calif.) released a report on March 28 which shows that the corruption continues despite a growing list of complaints, audits, and investigations into Halliburton's performance, almost from the time the Iraq war began in March 2003. What Waxman's new report proves, by implication, is that despite the documented criminality, Halliburton continues to rob the taxpayer blind—\$11 billion so far—while it remains protected by the Bush Administration, which still refuses to investigate Halliburton's conduct.

Today's Neo-Feudalism And the Crusades

by Gerald Rose

At the Oct. 9, 2004 conference at Middlebury College on 'The Privatization of National Security,' sponsored by Felix Rohatyn and George Shultz, Prof. Peter Feaver of Duke University said: 'In fact what we are seeing is a return to neofeudalism. If you think about how the East India Company played a role in the rise of the British Empire, there are similar parallels to the rise of the American quasi-empire.'

National Economy:

LaRouche Brings Water, Power Proposals to Mexico

by Gretchen Small

U.S. statesman and Democratic party leader Lyndon LaRouche returned to Monterrey, Mexico on March 29, invited to address the 27th Symposium on International Economics: 'Visionomics: Challenges and Proposals for Mexico,' held on the campus of the Monterrey Technological Institute. LaRouche first addressed a forum at that prestigious institute in March 1981, when he laid out a perspective for the United States and Mexico to reach a long-term 'oil-fortechnology' accord as the only pathway to securing prosperity and peace on both sides of the border for decades to come.

Power, Water, and Transport: The Prospect for Mexico

by Lyndon H. LaRouche, Jr.

Here is Mr. LaRouche's speech as delivered on March 30 to the 27th International Economics Symposium, 'Visionomics: Challenges and Proposals for Mexico,' at the Monterrey Technological Institute in Monterrey, Mexico.

Economics:

Congress Reads 'My Pet Goat' As Planes Hit U.S. Auto Towers

by Paul Gallagher

Perhaps the most devastating week in the U.S. auto industry's long history ended on March 31 with a mild letter of protest by 14 Members of Congress, but no sign of movement towards action to preserve and use America's most versatile industrial capability. While the 50,000-worker Delphi Corporation was demanding clearance in bankruptcy court to virtually liquidate itself in North America, and General Motors was in a desperate scramble to try to avoid bankruptcy, U.S. auto sales in the first quarter fell below the level of 1999. Clearly, at least 50% of the unparalleled machine-tool capacity represented by the auto sector, is effectively now unused, awaiting a move by a Congress which is informed how to intervene to use it, but lacks the will.

- **Interview: Mark Sweazy**

- **'LaRouche's Solution Will Work for Us'**

- Mark Sweazy is president of UAW Local 969, in Columbus, Ohio. Marcia Merry Baker interviewed him on March 21.

- **State Leaders Move To Save Auto Industry**

- As the leading auto companies continue to teeter on the brink of bankruptcy, and auto parts companies proceed to shed hundreds of jobs, legislative leaders in a number of states are moving ahead with the approach proposed by Democratic leader Lyndon LaRouche one year ago: Demand that Congress take emergency action to save the auto industry, and retool for production of desperately needed national infrastructure.

Walter Reuther's 1940 Plan

Using the Machine-Tool Principle To Save the U.S. Industrial Republic

by Richard Freeman

There is a successful historical precedent for retooling, conversion, and diversification of the collapsing U.S. auto sector, as Lyndon LaRouche has proposed since April 2005. Between 1940 and 1944, under the leadership of President Roosevelt, the United States retooled its auto factories as a leading part of the economic mobilization for World War II. Little known, is that among the forces who pushed through this proposal, a central role was played by the United Auto Workers union. A UAW founder and president, Walter Reuther, a highly skilled machinist, along with other skilled labor leaders, were a powerful political and moral force for the conversion of the auto industry into the 'Arsenal of Democracy.'

- **Reuther's 'Atoms for Peace'**

- From Reuther's 'A separate opinion to the Joint Congressional Committee on Atomic Energy, submitted as a member of the Panel on the Peaceful Use of Atomic Energy'— Jan. 25, 1956.

- In the cold war—in freedom's struggle against the forces of Communist tyranny—in the struggle for the hearts and minds of men—speed, all speed, in harnessing the atom to man's peaceful needs, can be decisive. ...

Rohatyn's Suez Booted Out of Argentina

by Cynthia R. Rush

Any American who wants a glimpse of what kind of 'infrastructure development' fascist Felix Rohatyn has in mind for the United States, should take a hard look at what just happened in Argentina.

- **After LYM Intervention**

Rohatyn Repudiates FDR on Infrastructure

A panel discussion of the Center for Strategic and International Studies (CSIS) Public Infrastructure Commission, created by synarchist banker Felix Rohatyn in 2004, took an unexpected turn at the National Press Club March 27, when some 25 LaRouche Youth Movement organizers began to ask questions of the speakers. Felix Rohatyn, and his cohort, former Republican Sen. Warren Rudman, had come to raise the Capitol Hill profile of their 'National Infrastructure Commission,' but instead they showed their acute awareness that they and their fascist 'infrastructure' schemes are in a battle with Lyndon LaRouche's Congressional influence and activity.

International:

Destabilization Spreads Over Europe, Both East and West

A dramatic wave of instability is sweeping through Europe, East and West, threatening to topple governments, and creating the danger of Bonapartist, or even fascist, regimes. The primary responsibility for this upheaval, particularly in the West, can be attributed to the Maastricht Treaty, which has imposed a regime of ever-deepening austerity on the nations of Western Europe. The Eastern states, while not under Maastricht, have suffered from its results, due to the lack of orientation toward economic development on the part of the industrialized nations of the West, and the International Monetary Fund itself.

The British Monarchy And Hitler

by Lyndon H. LaRouche, Jr.

March 26, 2006

Prince Philip's retrospective view of his Nazi family connections coincides with a pair of developments around the recent campaign to dump Dick Cheney's British cronies of the Prime Minister Tony Blair British government. Not only King Edward VII, but German members of the family of both Prince Philip and his uncle Dickie Mountbatten, were, for a time, deeply committed, aristocratic members of the Nazi Party apparatus. This must be considered against the background of the accelerated efforts of Cheney accomplices, George Shultz and banker Felix Rohatyn, to privatize U.S. military and intelligence institutions, along the lines of Adolf Hitler's SS.

Interview: Mikhail Khvostov

Unfair Sanctions Against Belarus Won't Stop Our Independent Development

Mikhail Khvostov is the Ambassador of Belarus to the United States. Ambassador Khvostov earlier served as Ambassador to Canada, and then went on to become an advisor to the President of Belarus. Between 2000 and 2003, he served as Deputy Prime Minister and Minister of Foreign Affairs of Belarus. William Jones interviewed him at the Belarus Embassy in Washington, D.C. on March 16.

Voters Lash 'Orange' President in Ukraine

by Rachel Douglas

'The opposition had nothing to offer anybody,' was the comment I heard from one after another Belarusian acquaintance, in the wake of that country's election, with its failed, Westernbacked attempt to stage yet another 'color revolution' in Eastern Europe. One week later, on March 26, the Our Ukraine party of President Victor Yushchenko—the former opposition leader who was victorious in the Orange Revolution just 15 months before—failed miserably in Parliamentary elections. It turned out that he hadn't had anything to offer, either.

Defend Germany Against Globalized Fascism!

by Helga Zepp-LaRouche

Mrs. Zepp-LaRouche is the chairwoman of the Civil Rights Movement Solidarity (Bu"So) in Germany. She issued the statement excerpted here on

March 24; it has been translated from German. Germany today is facing an explosion: Hospital doctors are striking for a 30% pay increase; primary care doctors are afraid of losing 30% of their practice; public service employees launch a lengthy protest; civil servants and even police are joining in. A metal workers strike is looming. The massive attack on living standards of the long-term unemployed and pensioners is getting worse. In many cities, there is unrest because of the unprecedented wave of privatization and the takeover by the [financial] 'locusts.' . . .

Berlin Conference Puts on the Table A Bold New Proposal for Iran

by Muriel Mirak-Weissbach

As became clear in the course of a conference held in Berlin on March 27-28, which brought together various sides of the conflict, relatively straightforward alternatives do exist, to the threats of military aggression against Iran voiced by the neoconservatives around Tony Blair, Dick Cheney, John Bolton and company.

Interview: Dr. Tim Guldemann

The ICG Proposal for Negotiation With Iran

Dr. Guldemann is the former Swiss Ambassador to Iran. He presented the International Crisis Group's (ICG) proposal for solving the conflict, at the Berlin conference of the Peace Research Institute Frankfurt. Muriel Mirak-Weissbach interviewed him on March 28.

Interview: Dr. Ali Soltanieh

Iran's Position on Nuclear Controversy

H. E. Ambassador Dr. Ali Soltanieh is the permanent representative of the Islamic Republic of Iran to the International Atomic Energy Agency (IAEA), in Vienna. Muriel Mirak Weissbach interviewed him at the Berlin conference of the Peace Research Institute Frankfurt on March 28.

Netanyahu Smashed: It's The Economy, Stupid!

by Dean Andromidas

After a crushing defeat in the Israeli elections on March 28, the knives are out for Benjamin 'Bibi' Netanyahu. Bibi, who is the darling of Vice President Dick Cheney and his synarchist controller George Shultz, led the Likud, a party that had been in power for most of the last three decades, into political oblivion. With Netanyahu's downfall, plans by Cheney and Shultz for a major Israeli role in a new Middle East war, with an attack on Syria, or Iran, have been shelved, for the time being.

Russia, India, China Seek 'Mechanism' for Trilateral Cooperation

by Ramtanu Maitra

Russian President Vladimir Putin's visit to China March 21-22 put a slew of strategic issues on the table for discussion and made it evident that the leaders in Moscow, Beijing, and New Delhi are moving forward to assert themselves in a multi-polar world.

National:

Growing Backlash to 'Coups On the Installment Plan'

by Edward Spannaus

In a significant institutional show of force against the unilateral, dictatorial actions of the Bush-Cheney Administration, four senior Federal judges, who have all served seven-year terms on the secret Foreign Intelligence Surveillance Act (FISA) Court, testified in front of the Senate Judiciary Committee on March 28. They appeared in support of the bill being proposed by Sen. Arlen Specter (R-Pa.), which would require the Administration to submit its domestic surveillance program to the FISA Court for review on its constitutionality.

Interview: Dr. Justin Frank

George Bush Is a Very Destructive Man; He Needs To Be Removed From Office

Dr. Justin A. Frank, a Washington, D.C.-based psychoanalyst and Professor of Psychiatry at George Washington University Medical School, was interviewed by Jeffrey Steinberg on March 26, 2006. Dr. Frank is the author of the bestselling book, *Bush on the Couch: Inside the Mind of the President* (HarperCollins: hardcover 2004, paperback 2005).

Editorial:

Stop the Occupation of Iraq!

As of March 31, 2006, three years and one week after the start of the 'preventive war,' it must be admitted by every moral American that there is no 'democracy' in Iraq. Unity talks continuously stall out, after major bombings and slaughters, and now the elected Shi'ite majority leaders are accusing President Bush of trying to appoint a puppet leader to replace Prime Minister Ibrahim al-Jafaari, and are asking for U.S. Ambassador Zalmay Khalilzad to be recalled as Ambassador.

U.S. Economic/Financial News

See this week's InDepth, EIR Economics, for extensive coverage of the U.S. economic crisis, and the LaRouche proposals for an FDR-style recovery program. Also, in National Economy, see LaRouche's speech to an International Economics Symposium in Monterrey, Mexico.

World Economic News

Asian Development Bank Official Warns of Dollar Collapse

"Any shock hitting the U.S. economy or the global market may change investors' perceptions, given the existing global current account imbalance," said Masahiro Kawai, the ADB's head of regional economic integration, the *Philippines Inquirer* reported March 29. "Our suggestion to Asian countries is: Don't take this continuous financing of the U.S. current account deficit as given. If something happens, then East Asian economies have to be prepared."

"The possibility of a U.S. dollar collapse or sharp decline may be small at this point, but it would generate very significant turmoil, so East Asian economies ... ought to be ready for that," Kawai said.

The ADB is proposing to coordinate their currency fluctuations, to "allow their currencies to collectively appreciate against a tumbling dollar." The idea of an Asian Currency Unit (ACU) is being promoted to help establish a functioning bond market in Asia, but could also help exchange coordination.

Kawai played down suggestions that the ACU could foreshadow a single Asian currency like the European Currency Unit (ECU), which existed for two decades before the creation of the euro in 1999. "The ECU had an official status but the ACU has no such official status," he said.

The ADB had hoped to launch the ACU—a weighted basket of Asian currencies—before the bank's annual meeting in May, but Kawai said this would not be possible, in part because they cannot resolve the issue of the role to be played by Taiwan's currency.

Iceland Establishes Financial Emergency Committee

On March 10, "an ad-hoc committee of six people appointed by the Central Bank of Iceland, the Financial Supervisory Authority (FME) and three ministries has submitted proposals on how to coordinate government actions in the event of a financial crisis," *Iceland Review* online reported March 19.

The article continued: "*Morgunbladid* [Iceland's leading daily] reports the committee has recommended, among other things, that the FME be given greater powers to seize control over financial institutions in certain circumstances by replacing board directors, managers or auditors.

"The committee also recommends greater cooperation with the institutions of the European Union.

"The committee has examined several contingencies, including how to react if the Icelandic banks are unable to finance themselves abroad."

Last week, Fitch rating agency downgraded Iceland's economy from stable to negative. (They are keeping their rating for Iceland's banks as stable. For now.) The country rating "take[s] into account Iceland's macro-prudential risks, including rising inflation, rapid credit growth, buoyant asset prices, a steep current-account deficit and escalating external indebtedness," Fitch said.

'Euro-sion' of German Economic Power

The fact that Germany's economy is being bled out by the Maastricht system, was hinted at in an article in the *Frankfurter Allgemeine Zeitung* March 27, which noted that, whereas in 1995, Germany still accounted for 35% of total EU economic power, today that has shrunk to 28%.

While identifying the wrong predicates (alleging it is due to a lack of "reforms"), the article had a point when forecasting that the shrinkage will continue, under the present system. Not just erosion but euro-sion, one might say.

IMF Tells Beijing To Revalue or Face Social Upheaval

China's economic growth is not sustainable unless the leadership abandons its commitment to "cautious reform," especially a too-slow revaluation, said the Fund's chief economist, Raghuram Rajan, and its head of financial markets, Eswar Prasad, in a report to be published in the *American Economic Review*, as reported in *The Australian* March 27. "The investment boom in recent years has been fuelled by cheap credit and over-optimistic expectations of future demand growth in sectors that are doing well at present," they wrote, complaining that investment had accounted for more than half of nominal GDP growth and might now total almost 40% of GDP. They said that building new plant was a "time-honoured path to growth," but threatens "a resurgence of non-performing loans [and] more unemployment. In the absence of better social spending, that would create unrest."

Carry-Trade Collapse Signals Wider Crisis

The New Zealand and Icelandic crises "could provoke a wider drop in foreign-exchange markets, threatening the currencies of Australia, South Africa, Turkey and Hungary," the *Financial Times* of London and *The Australian* both warned March 28. They note that both New Zealand and Iceland are suffering 22-month lows in their currencies, and massive current-account deficits—8.9% of GDP in the case of New Zealand and 15.5% in Iceland.

"Carry is no longer king," said Jens Nordvig, currency strategist at Goldman Sachs, to the *Financial Times*. "Investors were almost blindly seeking returns in emerging markets, now they will be scrutinising the fundamentals." They note that "Japanese investors pumped US\$450 billion into overseas bond markets in the four years to 2005, while ... hedge funds borrowed in dollars and yen to fund a buying spree that has seen the MSCI (Morgan Stanley's benchmark operation) Emerging Markets equity index jump 186% in the past three years.... As carry trades unwind, those currencies that rose most sharply may fall just as fast."

Precious Metals Spike to New Highs

Due to hedge funds buying of precious metals contracts, gold hit a new 25-year high of \$592, while silver hit a 20-year high of \$11.48 March 30. Other precious metals like platinum and palladium hit a four-year high.

Housing Bubble Overextended, Bankers Will Defend Currency

The Danish National Bank Director warned that the housing bubble is about to burst, and that homeowners are on their own to deal with it, Copenhagen's *Soendagsavisen* reported March 25. Home prices have risen by 22% in Denmark during the past year. National Bank Director Neils Bernstein said recently, that people cannot expect the prices to continue to rise; they may start declining soon, and interest rates are on the way up. If the European Central Bank raises its rates, Bernstein said he will raise the Danish rates. He stated that the responsibility of the National Bank is to defend the currency, and not homeowners.

United States News Digest

Rangel on Impeachment, the Draft, and Halliburton

I'm one of the President's biggest supporters against impeachment, as long as Cheney is Vice President, said Rep. Charles Rangel (D-NY), at a press briefing at the National Press Club in Washington, D.C., on March 30. Impeachment was not the subject, but was raised early in the question period. Rangel noted that he knows Cheney much better than he knows Bush, from Cheney's days as a member of the House during the 1980s.

Rangel had called the press conference to discuss his proposal for a military draft, the Iraq war, and the upcoming 2006 Congressional elections. He said that the bulk of military recruits going to fight in Iraq are from lower-income areas of the country, blacks from inner cities and whites from poor rural areas, all areas of high unemployment. He questioned why Bush had not called on all young Americans to make the same sacrifice.

The proposal for a draft, he said, would raise the level of discussion about who is making the sacrifices. In response to a question on the Pentagon's use of contractors, he noted that people are being encouraged to leave the military and sign up with contractors, such as Halliburton, to do, at a much higher price, the same things the Army used to do; so, he said, the cost of the war is dramatically inflated when you see how many of the military occupation specialties are now being handled by Halliburton.

House Debates Resolution on Abramoff Scandal

House Minority Leader Nancy Pelosi (D-Calif) introduced a resolution March 30 for an Ethics Committee probe of all members of Congress and staffers involved with disgraced former lobbyist Jack Abramoff, but after a fight on the floor of the House, the bill was tabled by a vote of 216-193, with six Republicans voting with Pelosi. After Republicans tabled the resolution by voice vote, Pelosi requested a recorded vote, which then took place. The resolution says "That the Committee on Standards of Official Conduct shall immediately initiate an investigation of the misconduct by Members of Congress and their staff implicated in the scandals associated with Mr. Jack Abramoff's criminal activity."

The action is called for after a string of "Whereas" clauses which say that two Committees of the Senate have investigated aspects of Abramoff's activities in Congress, and that the 109th House has *never* held such an investigation; and that

Abramoff has admitted providing "things of value" to members of Congress; and that Abramoff has pleaded guilty to such criminal actions.

Abramoff Sentenced, Still Faces Murder Rap

On March 29, Miami Federal Judge Paul Huck sentenced Jack Abramoff, and his partner Adam Kidan, each to five years and ten months in prison for fraud in the takeover of the SunCruz casino gambling cruise ship company. Abramoff's imprisonment will be delayed while he continues his cooperation with Federal prosecutors pursuing charges against the former mega-lobbyist's cohorts in Washington.

Meanwhile, trial proceedings continue for three men accused of murdering SunCruz's former owner Konstantinos "Gus" Boulis, who was shot down Mafia-style when he tried to regain control of the company from Abramoff and Kidan.

Contrary to almost all published media accounts, Abramoff and Kidan are both prime suspects in the murder. According to sources close to the murder prosecution, the three now on trial are acknowledged to be merely the triggermen. The prosecutors' (State Attorney's Office for Florida's 17th judicial circuit, Broward County) only theory of the motive points to the struggle over control of SunCruz.

David Margolick, whose interview with Abramoff appears in *Vanity Fair* (April 2006), typified the widespread disinformation on the case when he stated recently on C-SPAN that, "law enforcement officials" say that Abramoff is not a suspect. That is flatly contradicted by *EIR's* sources close to the case. Prosecutors have publicly stated only that they are "interested in" unnamed other persons besides the three men on trial.

Lawyers for one of the accused hitmen have subpoenaed Abramoff to testify for the defense, presumably to incriminate Kidan and take some heat off their client. The *Miami Herald* has reported that Federal prosecutors, having made a plea bargain with Abramoff on Federal fraud and corruption charges, will not allow state-level murder prosecutors to *record* any statement Abramoff may make. But the informed sources tell *EIR* that the prosecutors have not been told any such thing. They definitely plan to interview Kidan, Abramoff's junior partner Michael Scanlon, and Abramoff, and must record the sessions for court-usable evidence.

If Abramoff were charged with the Boulis murder, he could face the death penalty. This might spur some real talking on his part, about international money-laundering, and much more about the criminal role of Washington leaders than he has been willing to divulge so far.

Federal Prosecutor Indicted for Misconduct in Terror Case

In the aftermath of a failed prosecution in Detroit, which had been hailed initially by the Bush Administration and then-Attorney General John Ashcroft as a milestone in the war on terrorism, a Federal prosecutor and a State Department security official have been indicted for concealing evidence and then lying about it. Former Assistant U.S. Attorney Richard Convertino and State Department special agent Harry R. Smith were charged with conspiracy, obstruction of justice, and false statements.

The government had originally obtained three convictions of three local Muslims in the case, but they were thrown out after the Justice Department admitted serious prosecutorial misconduct. The indictment only cites one incident of concealing evidence, but there were others that came to light during and after the trial.

For example, the government's chief witness at the trial, Youssef Hmimssa, was proven to have lied in his testimony, when

a man who had been in jail with Hmimssa told the court that Hmimssa didn't know if the other defendants were linked to terrorism, but that he just wanted revenge against them. Hmimssa had also told the inmate that he could get a better deal for himself by giving the prosecutors what they wanted. "He told me to say anything, do anything, bring names, then you can get off the hook."

Prior to this, Ashcroft had publicly praised Hmimssa, in violation of a court order, triggering a formal reprimand of the Attorney General by the trial judge.

The problems were not just with the local prosecutors. The *New York Times* reported in 2004 that senior Justice Department officials knew of problems in the case but pushed for aggressive prosecution anyway. A Justice Department memo in 2002 noted that the evidence was weak, and that it relied on a single informant with "some baggage," and that there was no clear link to terrorist groups.

Are Rove and Hadley Next To Be Indicted?

Investigative journalist Jason Leopold on March 28 reported in truthout.com that Special Prosecutor Patrick Fitzgerald is wrapping up his case to a grand jury. According to Leopold, Fitzgerald will seek indictments of White House Deputy Chief of Staff Karl Rove and/or National Security Advisor Stephan Hadley, for leaking the name of covert CIA agent Valerie Plame Wilson. The indictments will be for perjury, obstruction of justice, and conspiracy.

The *Times* of London headlined its March 27 online story, "Is Karl Rove Stabbing Cheney in the Back?" Rove reportedly provided information to Fitzgerald on "deleted e-mails, and erased hard drives" relating to the Plame case, that had been missing from Cheney's office. Anonymous sources said the White House has "real-time backup servers.... Rove was able to chart a path for Fitzgerald directly into the office of the VP." Rove's attorney Robert Luskin, while not denying that Rove "tipped off" Fitzgerald, does deny that there is a "deal" with the prosecutor.

Delta Force Founder Blasts Cheney and Iraq War

In an interview with the *Los Angeles Daily News* March 26, Eric Haney, a retired command Sergeant Major in the U.S. Army, gave his assessment of the Iraq war: "Utter debacle. But it had to be from the very first. The reasons were wrong. The reasons of this administration for taking this nation to war were not what they stated. [Gen.] Tommy Franks was brow-beaten and ... pursued warfare that he knew strategically was wrong in the long term. That's why he retired immediately afterward.... We have fomented civil war in Iraq. We have probably fomented internecine war in the Muslim world between the Shias and the Sunnis, and I think Bush may well have started the third world war, all for their own personal policies." Haney was a founding member of the Army's Delta Force special operations unit, and a participant in the failed 1980 hostage-rescue effort in Iran. He is now a producer and consultant for the CBS television show "The Unit."

On the torture debate Haney said: "That's Cheney's pursuit. The only reason anyone tortures is because they like to do it.... You don't gain intelligence that way. Everyone in the world knows that.... This administration has been masters of diverting attention away from real issues and debating the silly. Debating what constitutes torture: Mistreatment of helpless people in your power is torture, period. And [I'm saying this as] a man who has been involved in the most pointed of our activities. I know it, and all of my mates know it. You don't do it. It's an act of cowardice."

Ibero-American News Digest

Kirchner Denounces Financier Interests Behind 1976 Coup

In his March 24 speech commemorating the 30th anniversary of the 1976 military coup in Argentina, President Nestor Kirchner denounced the synarchist financial groups that had "knocked on the barracks door" and demanded the coup and savage repression "to impose their economic and political project," of speculation and destruction of industry. In effect, Kirchner identified the same Shultz-Kissinger-Rohatyn and Chicago School fascists that were behind the Chilean coup three years earlier and the deployment of Operation Condor throughout the Southern Cone to enforce their policies.

Accompanied by his Cabinet and the heads of the Army, Navy, and Air Force, the Argentine President spoke at a ceremony at the national Military Academy in the country's most important Army base, Campo de Mayo. The explanation for the 1976 coup "cannot be reduced to a phenomenon in which just the Armed Forces were the protagonists," he said. Every time Argentina's constitutional order was subverted in the many coups of the 20th Century, "the press, the Church, the political class, and certain sectors of society, also played their role. I say this, because not everyone has yet admitted their responsibility for those events" of 1976.

"When someone opened the barracks doors to go out and take power ... it was because others had previously gone to knock on those doors; *powerful* economic interests, whose representation [in society] has been, and is, a pathetic minority, worked tirelessly to undermine our democratic institutions and facilitate that final assault on our Constitution."

It was these groupings, Kirchner said, that "tried, and succeeded for some time, in turning the Armed Forces into their instrument, and protagonist of this project that so affected society's structure." Generalized terror "was the only way they could impose a political and economic project to replace the process of industrialization that substituted imports, with a new model of financial valuations and structural adjustment, combined with reduction of the role of the state, foreign indebtedness, capital flight, and, above all, a social disciplinary process that permitted the establishment of an order which the democratic system couldn't guarantee them."

Kirchner named junta Finance Minister and British agent Jose "Joe" Martinez de Hoz, who is believed to be hiding out in Buenos Aires, as having been at the center of the project. That economic and social model "had a brain, had a name which we Argentines must never erase from our memory, and that is Jose Alfredo Martinez de Hoz. And I hope that also, memory, truth, and justice will someday be done," he said.

Brazil Has an Astronaut in Space!

Millions of Brazilians watched the televised launch on March 30 of Russia's Soyuz with Brazil's first astronaut aboard. Three minutes after launch, shots from inside the spacecraft cabin showed viewers a beaming Marcos Cesar Pontes pointing to the Brazilian flag on his spacesuit, and giving a thumbs up. The 43-year-old Air Force Lieutenant Colonel told reporters before launch that he was taking with him a Brazilian flag—and a soccer jersey from the national team.

The launching of a Brazilian astronaut and his eight-day stay on the International Space Station (ISS) will give impetus to the scientific and technological development of the country, and bring the Brazilian Space Program closer to the population, the head of the Brazilian Space Agency (AEB), Sergio Gaudenzi, said happily on March 28. People will learn that Brazil has a complete space program: a launching pad, launch vehicles, satellites—and now an astronaut. Among the eight experiments Pontes will carry out in the ISS, are two prepared by students at two high schools, who will be following their progress throughout the trip.

Argentina To Build More Nuclear Plants

Argentina is joining the international "resurgence" of nuclear power, *Clarín's* economist Danile Muchnik reported March 27. Many national companies, among them, the premier nuclear technology producer INVAP, are participating in

international bidding to provide nuclear technology to the U.S., Canada, China, Korea, Algeria, Peru, Egypt, Venezuela, and Australia, he reported.

Some months ago, the government announced that it would complete construction of the Atucha II nuclear plant—in mothballs for almost two decades—and allocated funding for hiring personnel and purchasing equipment. When completed, Atucha II, the country's third functioning reactor, will provide 700 MW to the national grid.

The National Atomic Energy Commission (CNEA) points out that nuclear energy is vastly cheaper than oil. Energy Minister Daniel Cameron stated that not only is there *not* a plan to privatize Atucha II, but that the project will be used to expand jobs in the area where the reactor is located. Uranium mining will be geared up, and steps taken to "repair the loss of two generations of scientists and professionals due to decades of inactivity," Muchnik reported. The plant will use combustible elements produced in Argentina with the support of the National Atomic Energy Commission (CNEA), and priority will be given to local contractors and suppliers. The environmentalists may scream, Muchnik warns, but reality demands nuclear energy.

Brazil's Hated Finance Minister Resigns

Antonio Palocci resigned as Brazil's Finance Minister on March 27, driven out by escalating charges of corruption. His ouster opens up the potential for the Lula government to change its disastrous economic policies, as the 2006 Presidential campaign intersects the global financial system blowout in the months ahead. Palocci, once a leader of the Trotskyite wing of President Lula's Workers Party (PT), played a key role as a controller of Lula, convincing him that Brazil had to predicate its economic policy on being "credible" to the markets and the IMF, and, eventually, growth would result. As long as Palocci was Finance Minister, the financiers were told, Brazil would continue to be committed to stripping national institutions through structural reforms, usurious interest rates, and the policy of channeling an ever-higher percentage of national revenues into debt payment.

His replacement, Guido Mantega, called a press conference upon being named to assure everyone that Brazil's economic policies would not change. The financiers are, however, rightfully nervous. Within two hours of the confirmation of Mantega's appointment, IMF chief Rodrigo Rato issued a statement praising the ousted Palocci's "stewardship" of the economy, and insisting that only upon the "foundations" of his policy could Brazil succeed. The president of the Brazilian Banking Federation, Marcio Cypriano, issued his own statement lamenting Palocci's fall, and demanding "continuity" of fiscal responsibility. Palocci's number two, former IMF official Murilo Portugal resigned also; six months ago when Palocci was first named in a corruption scandal, the financiers had been assured that, were Palocci to go, Portugal would replace him.

Mantega has generally argued Brazil cannot buck the system, but as head of the Brazilian National Development Bank (BNDES) where he had served since the ouster of Carlos Lessa in November 2004, Mantega lined up with the "development" wing of the Lula Cabinet: those arguing for lowering interest rates faster, and lowering the primary budget surplus. He has been outspoken, even in defense of the BNDES's policy of providing long-term loans at lower interest rates to the productive sector, despite IMF demands that "directed credits" be eliminated altogether.

Synarchist Candidate Poised To Win Peru Elections

Nazi-communist candidate Ollanta Humala has moved into the frontrunner position in the Peru Presidential campaign, threatening a possible win in the first round of Presidential elections April 9. Humala has managed to weather several scandals in recent weeks, and has now overtaken rightwing favorite Lourdes Flores in the polls; Flores has promised to continue the same disastrous economic policies that have driven President Alejandro Toledo's approval ratings into single digits. Humala has called both for nationalizing Peru's resources and legalization of the drug trade.

Should Humala win the Presidency, he could throw a monkey wrench into the Ibero-American Presidents' Club that has coalesced around Argentina's Kirchner, Brazil's Lula, and Chile's Bachelet. A former military officer who has repeatedly made bellicose statements against neighboring Chile, Humala has no intention of promoting the peaceful integration of the continent.

While purporting to have "disagreements" with some of his family members, Ollanta Humala is part of an entire clan of loonies: his brother Antauro, who assassinated four policemen during an abortive uprising in January of 2005 and is now in jail awaiting trial for murder, called today for President Toledo, his wife, members of his Cabinet, and the 120 members of the Congress to be dragged before a firing-squad, as traitors. Ollanta's mother recently called for shooting all homosexuals, while his father publicly defended Shining Path's satanic founder Abimael Guzman.

IMF Chief Presses Mexico on 'Structural Reforms'

IMF Managing Director Rodrigo Rato used the occasion of the annual Mexican Bankers Association meeting March 24 to deliver the message that Mexico's Presidential election campaign cannot be used to stall on "reforming" Mexico's energy, telecommunications, and labor laws, and expanding the tax base (by which he means extending the VAT tax to food and medicine so that even the poor would have to pay).

Rato's assurances that the "national consensus" in Mexico behind market stability and fiscal austerity is "impressive," belie the IMF's fears that the elections could shift policy, in the context of South American developments. Rato proposed that "a medium-term framework" be imposed to lock in fiscal reforms, and a "calendar of structural reforms" adopted.

Western European News Digest

Scotland Yard To Question Blair on 'Peerage-gate'

Scotland Yard has talked to Prime Minister Tony Blair's moneybags, Lord Levy, who has stated that he will cooperate in the investigation of the scandal now enveloping the Blair government, in which it appears that Blair made large Labour money donors into peers for life, with seats in the House of Lords. Two people who gave loans to the Labour Party in exchange for peerages have now asked the House of Lords to withdraw their names from nomination. With the growing investigation of this matter, the real question is how long Blair can hang on.

A senior British Parliamentary source commented, when asked about the scandal and what it means for Blair's future, that Chancellor of the Exchequer "Gordon Brown is sadly the only person seen to replace Blair, because there is no real leadership in the country, and there has not been any real effort to train younger leadership to step up and lead."

In a related development, on March 31, the Conservative Party revealed the names of 13 people who had lent it 16 million pounds. Among the 13 listed are former party treasurer Lord Ashcroft (3.6 million pounds) and Scottish philanthropist Lord Laidlaw (3.5 million pounds). Some 5 million pounds in loans were withheld, because the lenders had been repaid. Labour chairman Ian McCartney charged that the Tories had solicited loans abroad, but, it was, apart from Lady de Rothschild (1 million pounds), mainly current and former party treasurers on the remaining list of 13. As is already known, one lender, Bob Edministon, was nominated for a peerage by former Tory leader Michael Howard, and he converted his 2-million-pound loan to a donation.

Low German Voter Turnout Signals Widespread Discontent

The March 26 elections in the German states of Rhineland-Palatinate, Baden-Wuerttemberg, and Saxe-Anhalt had the lowest turnout ever in state parliament elections, with 58, 54, and 44%, respectively. That means that the "non-voters' party" was the strongest, by far. That also means that the majority parties that were voted in (SPD in R.P., CDU in B.W., CDU in S.A.), will form the respective state governments, with only 15-18% of the voters backing them. This is not proof of strong support for the establishment parties, and definitely not a vote of confidence in the Grand Coalition government in Berlin. The same discontent is also observed in Sunday's municipal elections in Hesse, with less than 40% voter turnout in numerous cities.

The results did, however, show the continued erosion for the "Green" ideology, which is occurring worldwide, as the economic crisis deepens. The Greens were voted out in Saxe-Anhalt and Rhineland-Palatinate, and the leftist WASG failed to get in, in R.P. and in B.W. Ute Vogt, slate leader in B.W., a prominent representative of the ecology-leftist "networkers" in the SPD, lost 8% (down from the 33% in the election in 2001) and got the worst SPD result ever in that state.

***Financial Times* Declares Hegemony of 'The City'**

The March 21 *Financial Times* ran a frank piece, by Hywel Williams, an adviser to the Tory government from 1993-1997, that unabashedly proclaims the imperial intention and power of the City of London. (It is excerpted from Williams' 2005 book *Britain's Power Elites: The Rebirth of a Ruling Class*).

Williams writes: "The political and cultural consequences of the City of London's hegemony over British life are as important as the financial and commercial ones.

"For here is an elite of the elites whose power has grown to a dimension that is truly imperial in the modern world stretching across countries and continents, able to ignore the previous constraints of national sovereignty....

"The fact that money markets can whisper and shout to political power, that they can determine the policies of governments and the strategies of armies, is as old as politics itself. The need for loans to finance Britain's participation in the anti-French war of the League of Augsburg (1688-97) lay behind the establishment of a national Bank of England and the institution of a national debt."

Williams boasts, "The Treaty of Utrecht (1713) showed the cleverness of this rapacity as Britain negotiated the exclusive right to sell African slaves to the Spanish colonies.

"The City of London has become the central bastion of an elite whose attitudes are more like that of an offshore center, ... the true heir to the imperial legacy ... [that has] a self-serving preparedness to stand aside from the national cause and to go wherever money leads them."

Did Locust Funds Pressure Schroeder on Legislation?

Leading members of the American Chamber of Commerce visited Germany's then-Chancellor, Gerhard Schröder, on June 1, 2005 to pressure him to water down planned legislation aimed at reining in hedge funds, an informed source told *EIR* March 28. Months later, according to another source, the legislation which the government passed (one of the last acts of the Schröder government, in early November 2005), created a "toothless tiger," which won't do much against the funds.

Fred Irwin, the head of the ACC, was one of those who went to pressure Schröder. The other names are not known, but the Chamber has some rather interesting members: Cerberus, Fortress, Goldman Sachs, Citigroup, and Lazard's branch in

Germany. ACC kept feeding the media, during those weeks, with the reminders that locust funds provide many jobs in Germany, as member firms together represent 800,000 jobs.

The Chamber would not give additional names, but the Frankfurt-based spokeswoman said, "If you look at the 50 most important American investors in Germany, you get an idea who took part in that meeting. I'm not saying that the first 10 or 20 on that list took part. But there were prominent participants; that I can assure you."

Dresden Takeover by Locust Fund Mirrors N.Y.'s Big MAC

The recent takeover of the entire Dresden municipal housing sector by the "locust fund" Fortress, justified by the pro-privatization faction of Dresden politics using the "indebtedness emergency," stands in the tradition of Felix Rohatyn's 1975-1982 fiscal dictatorship over New York, through the Big MAC (Municipal Assistance Corporation) (see Richard Freeman's article in the *EIR* of Jan. 6, 2006).

What is happening in Dresden, however, is nothing compared with what is being done to Berlin, whose debt has increased from 45 billion euros to 60 billion, in spite of all the public service privatizations, sale of real estate, and so on, during the past five years. Whether Berlin Financial Senator (equivalent to a state finance minister) Theo Sarrazin (SPD) knows Felix Rohatyn personally or not, is not even relevant: The policy he is carrying out in Berlin, is actually the same as Rohatyn's MAC operation in New York 30 years ago (see "Felix Rohatyn, New York Dictator 1975-82," *EIR* Online, Jan. 3, 2006).

Maastricht Europe To Share Same Fate as East Germany?

At an event presenting his new book in Berlin March 29, Heiner Flassbeck, former Assistant Finance Minister of Germany, said that aggressive globalization and outsourcing will do to Maastricht Europe, what happened to the East German regime at its end: The regime was still there on paper, but the economy was gone. France and Italy are almost there already, and Germany will follow sooner or later, Flassbeck said.

The event was attended by, among others, Oskar Lafontaine, Flassbeck's former boss in the government, and by Claus Noe, also a former Assistant Finance Minister under Lafontaine.

French Not Fooled by 'Free-Market' Hype

Le Figaro Economie of March 25 published a poll carried out some months ago by the international polling institute GlobalScan for the University of Maryland, asking, "Are free trade and the market-economy system the best for the future of societies?" Only 36% of the Frenchmen who responded believe this is the best system for the future, as compared to 65% of Germans, 71% of Americans, and 67% of British. A previous poll by the German Marshall Fund, showed that 74% of French citizens believe that liberalization of trade "reduces jobs"; the rate in Germany was only 59%, even though they are also badly hit by the present crisis.

The study underlines that France is the only country, of the 20 whose citizens were polled, where a majority of those responding reject the market economy as the option for growth in the future. Concerning rights of labor, 79% of those polled in France by GlobalScan favor more regulation of large companies, against only 55% in Germany.

Russia and the CIS News Digest

Putin: Russian Nuclear Deterrence Key to Security

Russian President Vladimir Putin, addressing a conference on maintaining stable operations of the nuclear-weapons industry on March 30, in Novo-Ogarevo, said: "Analysis of the present international situation and the prospects for the future oblige Russia to view its nuclear deterrent as a fundamental element guaranteeing its security, and the Russian Federation's nuclear-weapons industry is the material base of the state's nuclear deterrence policy."

Putin also pointed out that over recent years, a lot of work has been done in the nuclear-weapons industry, "to develop appropriate technologies, forces, and assets for the nuclear deterrent," as well as a whole range of "conceptual documents determining the policy of the Russian Federation in this area," adding, "We are clear that any modernization of the nuclear industry will affect an exceptionally important area, the maintenance and stable operation of Russia's nuclear weapons industry."

Putin did not explicitly refer to the Spring 2006 *Foreign Affairs* article that claims Russia no longer has a deterrent (EIR Online Russia/CIS Digest last week), but it was the subject of extensive publicity and refutations by military men and others, in Russia.

Primakov Opposes Bush-Cheney Nuclear-Attack Doctrine

In an article written for the March "Russia in Global Affairs" website, former Prime Minister Yevgeni Primakov wrote that the model of six-party talks to find a diplomatic solution to the North Korean nuclear question, should be applied to the Iranian nuclear question as well. It would be necessary to set up a group for organizing negotiations, involving Iran, Russia, the U.S., the European Union, and possibly China and India. Primakov also blasted the Cheney-Bush preventive nuclear attack, saying that this would negatively affect Russia-U.S. relations. The question arises, noted Primakov: Who will be the target of such an attack? The terrorists? Or countries like Iran? Once this doctrine is legislatively endorsed, we may not be far away from a new policy of containment which could involve Russia in a new arms race, although on an asymmetrical level.

New Pentagon Report Heightens U.S.-Russia Tension

Lackeys in the Pentagon press corps latched onto a new Pentagon report, to accuse Russia of having aided the Iraqi regime of Saddam Hussein at the time of the U.S. invasion. The new report, a product of the Iraqi Perspectives Project at U.S. Joint Forces Command in Norfolk, Va., uses captured documents and interviews with Iraqi officers to attempt to create a picture of the perceptions and decision-making processes of the Iraqi leadership and military, from March to May 2003. That report cites two Iraqi documents that make reference to intelligence information supposedly obtained from Russian intelligence via the Russian Ambassador in Baghdad. One of those documents claimed that the U.S. attack from Kuwait was merely a diversion, and that the real attack would come from the west, specifically from Jordan, and would be launched by the 4th Infantry Division which had been refused entry into Turkey. The source of this information was supposedly a Russian agent inside U.S. Central Command headquarters in Qatar. Given that most of the information contained in these alleged Russian intelligence reports was wrong, the report characterizes such external sources as "fog generators obscuring the minds of Iraq's senior leadership."

Nonetheless, some reporters seized upon the report as "proof" that Russia was actively helping the Iraqi regime. Case in point: Rowan Scarborough of the Moonie *Washington Times* wrote on March 25, "The new disclosures show that Moscow was working against the Bush Administration in private, as it opposed in public the U.S. desire for a United Nations Security Council resolution explicitly authorizing the invasion." The report does not say that, and its authors, during a Pentagon press conference on March 24, refused to characterize those Iraqi documents in that way. More circumspect is the *New York Times'* Thom Shanker, who suggested that because so much of the information from Russian sources was wrong, it raises "at least the possibility that it was circulated as part of a deliberate American campaign intended to fool or

demoralize Iraqi troops," a possibility also suggested by Associated Press.

Asked about the allegations, Russian Foreign Minister Sergei Lavrov said March 27 that he was disappointed to have learned of the supposed U.S. concerns only through the media. Boris Labusov, the head of Foreign Intelligence Service's press service said, "This kind of unsubstantiated allegation against Russia's intelligence service has been voiced repeatedly."

Primakov Chairs 'Russia-Islam' Conference

The first session of a group called "Strategic Vision: Russia-Islamic World" opened in Moscow March 27. Former Prime Minister Yevgeni Primakov, currently head of the Russian Chamber of Trade and Industry, chaired the two-day event. Primakov read greetings from President Putin, who told the gathering: "Our country has long-standing traditions of good and constructive relations with Islamic countries. Russia supported many of them on their path to independence and helped to build up their national economies." Further, according to Interfax, Putin said that "only through joint efforts can the international community respond adequately to the threat of international terrorism and attempts to provoke a clash of civilizations." The Russian President, noting Russia's admission as an observer at the Organization of the Islamic Conference, said that "the expansion of ties with the Islamic world on many levels" was "one of the most important priorities of Russian foreign policy."

According to Russian reports, participants in the meeting include former Presidents and foreign ministers from 20 Islamic countries. An IRNA wire carried on Iran.ru mentions that Iran is represented by Ayatollah Mohammad-Ali Tashiri, Chairman of the World Organization for Rapprochement among Schools of Islam, and that people from Saudi Arabia, Jordan, Pakistan, Turkey, Egypt, Algeria, Indonesia, and Malaysia are among those present. Primakov, an Arabist who also served as Russia's foreign intelligence chief and as Foreign Minister in the 1990s, has continued diplomatic work on behalf of the Kremlin, during his Chamber of Trade and Industry-related travels.

In his own address to the meeting, Primakov included vigorous criticism of U.S. policy as incompetent and dangerous. Washington's "unthinking" drive to export "its model of democracy" to Islamic countries, he said, was being conducted "without regard for the historical correlation of forces inside these countries, or for experience, or for tradition." He said there exists no organic basis for a "clash of civilizations," but warned that a division of the world along religious and "civilizational" lines may occur, due to attempts to associate international terrorism with Islam. Again, concerning the "clash of civilizations," Primakov emphasized, "As one of the great powers, Russia is doing everything possible to block the development of this tendency."

According to Vesti.ru, Primakov said that the aggressive U.S. policy of forcing "its values" on Islamic states, is one of the main drivers of the spread of terrorism in the Near East. The United States-led operation in Iraq has turned that country into a major al-Qaeda staging ground. He said that al-Qaeda was using Islam as a cover, and that its victims were most often Muslims.

Noting that Russia has 20 million Muslims among its population, and that they are not immigrants, Primakov said, "The Christian majority and Muslim minority in Russia are a model of peaceful life together, so Russia may take a unique position, as bridge between Europe and Asia." He linked the rise of extremism in Islamic countries with "increasing globalization and the inequality between Islamic countries and those of the 'big billion.'"

Southwest Asia News Digest

Some Administration Officials Have Decided To Attack Iran

Joseph Cirincione, director for non-proliferation at the Carnegie Endowment for International Peace, wrote in *Foreign Policy* online March 27, "For months, I have told interviewers that no senior political or military official was seriously considering a military attack on Iran. In the last few weeks, I have changed my view. In part, this shift was triggered by colleagues with close ties to the Pentagon and the Executive Branch, who have convinced me that some senior officials have already made up their minds. They want to hit Iran.... What I previously dismissed as posturing [by the White House], I now believe may be a coordinated campaign to prepare for a military strike on Iran."

UN Security Council to Iran: Suspend All Enrichment Work

The UN Security Council on March 29 called on Iran "to take the steps required by the IAEA Board of Governors" to build confidence in its nuclear program's peaceful intent, and particularly to again suspend "all enrichment-related and reprocessing activities, including research and development, to be verified by the IAEA." The UNSC requested a report be filed in 30 days with the IAEA Board and the UNSC, by the IAEA Director General, on the process of Iranian compliance.

The *Washington Post* March 30 notes that the statement is not legally binding, and carries no explicit penalties if Iran does not comply. It also reports that the Europeans—pushed by the U.S.—originally proposed a much stronger statement, but watered it down to secure the support of Russia and China. The Europeans and U.S. agreed to drop language that proliferation "constitutes a threat to international peace and security," and that the UNSC is charged under the UN Charter with addressing such threats.

The Iranian chief representative to the IAEA in Vienna reportedly told Associated Press that it is impossible to go back to suspension, adding: "The enrichment matter is not reversible." However, the Iranian Foreign Minister is quoted stating in Geneva, that Iran is willing to continue talking with the IAEA.

Iran Sanctions 'Not Introduced' at Foreign Ministers' Meeting

Following the UN Security Council demand that Iran suspend all uranium enrichment, U.S. Secretary of State Condoleezza Rice and the Foreign Ministers of the U.K., France, Germany, Russia, and China met in Berlin March 30 to discuss possible next steps. In a brief press conference after the meeting, Rice, Frank-Walter Steinmeier (Germany), and Jack Straw (U.K.) particularly stressed the unity of the "international community" on the issue and demanded Iran come into compliance. Philippe Douste-Blazy (France) stressed that what was expected, was "the complete suspension of nuclear activities in Iran," pending IAEA monitoring. Sergei Lavrov of Russia said that, "the sole solution for this problem will be based on the work of the IAEA, and we will also be demanding full cooperation of Iran with the IAEA."

During the question period, Rice and Lavrov were asked whether sanctions had been discussed in the meeting. Rice responded that she did not introduce the subject. Lavrov added that, "Indeed this was not introduced, and in principle, Russia doesn't believe that sanctions could achieve the purposes of settlement of various issues.... The IAEA has reported that it cannot yet testify that there is no military aspect of this program, but, at the same time, the last report of the IAEA says that it cannot also assert that there is a military aspect to the Iranian nuclear program.... We prefer very strongly to base our specific actions on specific facts, and in this particular case, the facts could be provided by the IAEA. So far, they have not been provided."

Arab League Head Calls on Arab States To Enter Nuclear Club

Amr Moussa, head of the Arab League, at the opening of the League's summit in Khartoum March 28, said, "I would like to call on the Arab world to enter into the world of peaceful use of nuclear energy with all speed and momentum. This is a legal right ensured for all states that are party to the Nuclear Non-Proliferation Treaty."

Israel: Peretz Seeks Coalition To Corner Olmert on Social Issues

Israeli Labor Party Chairman Amir Peretz promises to give Kadima Party Chairman Ehud Olmert a very hard time as Olmert tries to form a coalition government, according to *Ha'aretz* March 31. Peretz is using his position as head of the second-largest party, with 20 seats in the Knesset, to reach out to other parties that are willing to join together to confront Olmert on socioeconomic issues.

He has initiated talks with the Meretz Party (five seats) on a possible merger, or at least a formal alliance, for a total of 25 seats. Meretz has said it will propose to President Moshe Katzov that he ask Peretz to form a government instead of Olmert. That is unlikely to happen, but will make Olmert sweat a bit.

Peretz has also held talks with the orthodox Shas Party (12 seats) to create a common front on social issues. This would strengthen both parties' hands in coalition talks. This three-party bloc would constitute 37 seats.

The Pensioners Party should have been an additional, natural partner in this bloc, but with ex-Mossad agent "Dirty" Rafi Eitan at its head, it will propose that Olmert form a government. (See InDepth, "Netanyahu Smashed: It's the Economy, Stupid!" by Dean Andromidas for comprehensive coverage of the Israeli elections.)

Hamas Prime Minister: A Just Peace or No Peace

In a commentary in the London *Guardian* March 30, Hamas Prime Minister Ismail Haniyeh accused the U.S. and Europeans of "scandalous double standards" in trying to force Hamas to make statements and commitments by cutting aid, and other punitive measures, while it does nothing to pressure Israel. Haniyeh points out that, while the West threatens to punish the Palestinians for freely electing Hamas, Israeli political parties run in elections calling for the expulsion of all Palestinians from Israel, and Kadima campaigned on a program that defies UN resolutions.

Haniyeh makes clear his desire to move towards a peace agreement, presenting the same demands as the Palestine Liberation Organization and accepted by the international community:

"No plan will ever work without a guarantee, in exchange for an end to hostilities by both sides, of a total Israeli withdrawal from all the land occupied in 1967, including East Jerusalem; the release of all our prisoners; the removal of all settlers; and recognition of the right of all refugees to return."

He added: "On this, all Palestinian factions and people agree, including the PLO, whose revival is essential so that it can resume its role in speaking for the Palestinians and presenting their case to the world." This statement recognizes that, according to the Oslo Accords, the PLO is officially responsible for international negotiations, and also shows that there is a negotiating partner.

Sharon, Netanyahu Sabotaged Hamas's 1997 Truce Proposal

Man in the Shadows, a book by former Israeli Mossad chief Ephraim Halevy, to be published in Britain April 4, reveals that Hamas, through the good offices of Jordan's King Hussein, proposed a 30-year truce with Israel in 1997. A few days after the proposal was made, the Mossad carried out an unsuccessful assassination attempt against Hamas leader Khalid Meshal. The attempt was foiled when Jordanian police captured two of the four agents involved. King Hussein was so enraged that he threatened to take military action. At that point, Israel agreed to release Hamas spiritual leader Sheikh

Ahmed Yassin, a decision that had to be made by then-Defense Minister Yitzhak Mordechai, the moderate in the government at the time.

This report leaves little doubt that the assassination was planned by Ariel Sharon and Benjamin Netanyahu to sabotage the peace initiative by Hamas and King Hussein. Hussein always thought the assassination attempt was part of an Israeli plot to overthrow his monarchy and turn Jordan into Palestine. Soon after Sharon became Prime Minister, he ordered the assassination of Yassin.

Asia News Digest

U.S.-India Nuclear Deal Faces Hurdles in Congress

The U.S.-India nuclear deal, now in the House Committee on International Relations, faces new problems. The top Democrat on the Committee, Tom Lantos (Calif), has told the visiting Indian Foreign Secretary Shyam Saran that he is concerned about India's training of Iranian Navy personnel. "Congressman Lantos pointed out that episodes of conflict in relations between U.S. and India, such as India's early wavering in its commitment to refer Iran to the UN Security Council, and more recent concerns raised about Iranian troops receiving training from India will only undermine Congressional support for the deal," said Lynne Weil, Lantos's spokeswoman.

Reacting to the concerns, New Delhi said two Iranian naval ships with about 200 personnel were on a six-day "informal" visit to the southern Indian naval base in Kochi in March as a part of training sortie in the Arabian Sea.

The International Relations Committee is chock-full of pro-Israel Congressman. India, having vigorously courted Israel and its powerful lobby in the U.S., is now getting cut by the other edge of the sword. Politically, it is not possible for New Delhi to abandon Iran. It has abandoned Palestine as the price for "friendship" with Israel, but it would be lot more difficult to abandon Iran altogether.

Australia Moves To Supply Uranium to China

Prior to Chinese Premier Wen Jiabao's arrival in Australia on April 1, Prime Minister John Howard, during his joint press conference with visiting British Prime Minister Tony Blair at Canberra, said, "We are making good progress. It is possible that the discussions could be satisfactorily concluded so that something could be said or signed when the Chinese Premier visits Australia next week."

Howard said Australia is negotiating on the basis that China is a signatory to the NPT, the *India Daily* reported March 28. "And, in that respect, China is different from India," said Howard. He also said there will be no policy change regarding sales of uranium to India, which he ruled out, because India is not a signatory to the NPT.

U.S. Planning Bases Across Southwest and Central Asia

According to William Arkin, a former U.S. Army Intelligence analyst who writes on military matters, the United States is planning to build at least six bases across Southwest and Central Asia in the next ten years, for "deep storage" of munitions and equipment to prepare for regional war contingencies.

Arkin says the plan came to his attention through contracting documents that called for continued storage of everything from packaged meals ready-to-eat (MREs), to missiles in Bahrain, Kuwait, Qatar, and Oman, as well as the establishment

of two new storage hubs, one in a classified Southwest Asian country "west of Saudi Arabia" and the other in an as-yet-to-be-decided "Central Asian state."

Arkin said: "Central to the U.S. military presence in the Middle East to fight both the Afghanistan and Iraq wars has been the use of pre-positioned war material and the quick establishment of expeditionary bases. At the height of operations in both countries in 2003, the Air Force, for instance, operated from 36 bases in and around the region. That number has since shrunk to 14 today, including four main operating bases in Iraq...."

Trouble Worsens Along Afghan-Pakistani Border

A series of violent events inside Afghanistan, and in Pakistan's bordering North West Frontier Province (NWFP), indicate that the security situation in both nations is deteriorating fast and furiously. A bomb went off in a crowded bazaar in Peshawar, the capitol of the NWFP, close to the U.S. consulate, which had been closed before the bombing, due to a "specific and credible threat."

The incident in Peshawar is a relatively new development and very well could be the beginning of an uprising by the Pushtuns on the Pakistani side, demanding Greater Pakhtoonistan, joining with the Pushtuns of Afghanistan. There is no doubt that Afghan President Hamid Karzai, bitter over Pakistani protection of his nemesis, the Taliban militia, is encouraging this development.

Meanwhile, the Russian daily *Pravda* published an article on March 26 which said that al-Qaeda has pretty much vanished from the scene, but that U.S. foreign policy has created "fresh opportunities for the Islamic propaganda machine." As a result, it says, President Karzai has to fight not only the fanatics inspired by Osama bin Laden and Mullah Omar, but new forces that have emerged. The drug traffickers have actually become a major independent force waging war against Kabul, and the clans in the eastern part of the country bordering Pakistan are also fighting for creation of a new state that would engulf the tribal regions of Pakistan. Such a new state will be ruled by local warlords, and Kabul will have no authority over them.

Is Pakistan Supplying Nukes to Saudi Arabia?

According to the latest issue of the German magazine *Cicero*, Saudi Arabia is working secretly and closely on a nuclear program with Pakistan. The magazine said that during the Haj pilgrimage to Mecca in 2003 through 2005, Pakistani scientists posed as pilgrims to come to Saudi Arabia.

Between October 2004 and January 2005, some of these Pakistani scientists managed to get "disappeared" from their hotel rooms for as long as three weeks. *Cicero* also quoted a CIA analyst, John Pike, as saying that Saudi "bar codes" could be found on half of Pakistan's nuclear weapons "because it is Saudi Arabia which ultimately co-financed the Pakistani atomic nuclear program." Cicero also said satellite images prove that Saudi Arabia has set up a secret underground city and dozens of underground silos in al-Sulaiyil, south of Riyadh.

In the late 1990s, Saudi Foreign Minister Prince Bandar bin-Sultan, while he was in Pakistan, visited the nuclear facility at Kahuta. This became an issue since Pakistani Prime Ministers—Benazir Bhutto and Nawaz Sharif, among others—were never allowed to visit Kahuta, the main Pakistani nuclear facility.

Attempted Coup vs. Thai PM Thaksin Thwarted

The attempted "People's Power" coup against Thai Prime Minister Thaksin Shinawatra has been foiled, for now. Thaksin

wisely accused the opposition of trying to provoke violence—the truth of which has been extensively documented in *EIR* articles over the past two months—thus forcing those who provoked the violence in 1992, and who are in the leadership of the current movement, to defend the "peaceful" nature of the demonstrations. Also, *The Nation*, owned by Dow Jones, identified in *EIR* for functioning as the command center for the coup attempt, has itself become the focus of demonstrations by the rural and poor backers of Thaksin. As a result, a Thai-language paper owned by *The Nation* was forced to issue a formal request for forgiveness from the King for printing an interview with Sondhi Limthongkul, the leader of the anti-Thaksin movement, in which Sondhi made statements considered "*lèse-majesté*" (an offense against the king). The editor and the journalist involved resigned, and the paper closed for five days, while Sondhi now faces *lèse-majesté* charges himself.

The population of Bangkok has become increasingly disgusted with the middle class mobs stopping up business and traffic across Bangkok. The last scheduled demonstrations before the April 2 elections moved to a popular mall, where they intended to stay for three days. However, the leaders threw in the towel, cancelling the second and third day of demonstrations. Even though the opposition parties refused to run in the snap election, Thaksin has called on his supporters to give a vote of confidence, promising that he will step down if he does not win a majority.

Africa News Digest

Clinton: Universal HIV Testing in Worst Hit Countries

Former U.S. President Bill Clinton "called ... for mandatory testing for HIV/AIDS in countries with high infection rates and the means to provide lifesaving drugs," on March 28, according to Reuters. Speaking to journalists in London that day, Clinton said that countries where there was no discrimination against people with AIDS, and where anti-AIDS drugs were available, should now consider universal testing.

"There is no way we are going to reduce the spread of this epidemic without more testing," he said, "because 90% of the people who are HIV positive don't know it."

Lesotho, he said, where the Clinton Foundation has been active, will become the first country to do universal testing, this year. He said it will be a test case to see whether rapid tests, costing 49-65 cents each, and drugs, can reduce the 27% infection rate. A budget of \$100 million could pay for 200 million tests, he added.

The question, Clinton said, is not whether a country is rich or poor, but its infection rate. When the level of infection reaches a critical point it imperils the public-health structure and social stability, making it more difficulty to bring the rate down.

African Farmers Cannot Afford Fertilizer for Depleted Soil

Three-quarters of Africa's farmland is severely depleted of the nutrients needed to grow crops, compared with 40% just ten years ago, according to a study by the International Fertilizer Development Center, a non-profit agricultural aid organization operating in Africa. The study was released March 30 at a press conference at the Rockefeller Foundation in New York City. Depleted farmland in Africa yields less than one-third the amount of grain of that in Asia and Latin America. The problem of depleted soil is worst in Guinea, Congo, Angola, Rwanda, Burundi, and Uganda.

The study said the fertilizers that could restore productivity are far too expensive for Africa's small and often impoverished farmers. Fertilizer in Africa costs in general two to six times the world average. It costs more to move fertilizer from an African seaport 60 miles inland, than to ship it from the U.S. to Africa, according to the report. African farmers use less

than 10% as much fertilizer as Asian farmers do. About two-thirds of Africa's 750 million people depend on agriculture for income and employment.

To reverse the collapse of soil productivity and achieve a green revolution would require a functioning road network, credit for farmers, extension agents, better irrigation, and the emergence of retailers to sell fertilizers and improved seed varieties in rural areas, according to the authors, speaking at the New York press conference.

"To feed our people, we must feed our soils," Nigeria's President Olusegun Obasanjo said at the press conference. Obasanjo will host a meeting in June in Abuja on Africa's fertilizer needs.

Nigeria: U.S.-UK Hostages Released, But Nothing Changes

In the wake of Nigerian President Olusegun Obasanjo's meeting with President Bush on March 29, there is no indication that efficient measures can be expected to bring peace to the Niger Delta or development to Nigeria. There is simply a momentary standoff between two criminal enterprises—the oil multitis, and the congeries of high-powered oil-theft rings that take at least 10% of Nigeria's oil. The U.S. and UK, through the Nigerian government, provide protection for the multitis, and the Delta "militants" provide protection for the theft rings. Only major agro-industrial development can change this geometry in favor of the Nigerian nation and its people, but the two opposing criminal enterprises are not interested.

The last three American and British hostages taken by the militants' Movement for the Emancipation of the Niger Delta (MEND) were released March 27, days after emissaries for MEND met with U.S. and UK diplomats and Nigerian government officials.

The U.S. and UK have "promised high-level intervention to address the long-standing grievances of Nigeria's oil-producing communities, if they avoid further hostage taking," according to Voice of America March 27. But Bush, in his press conference with Obasanjo March 29, did not mention the promised intervention, according to the State Department transcript. But Obasanjo said he briefed Bush on "the measures we are taking, ... socio-economic measures ... [that] will resolve the issue of the Niger Delta." He did not elaborate.

The pace of the U.S., UK, and Nigerian government interventions, if they materialize, can be expected to be too little and too slow to reverse Nigeria's disintegration.

The militants "said they will not hold hostages in future but would continue to attack oil facilities," MarketWatch reported March 29. The wire also reports, "Shell has said it won't begin production again until it can guarantee the safety of its workers." Oil production remains down by 25% (640,000 barrels per day).

Earlier in the current crisis, the U.S. and UK intervened to stop the government's military action in communities in Delta State that the government accused of involvement in oil theft.

This Week in American History

April 4 — 10, 1788

Revolutionary War Vets Establish the First Settlement in the Northwest Territory

A flotilla of small boats, led by a barge called the "Adventure Galley," floated through the fog on the Ohio River early on the morning of April 7, 1788, and stopped when the stockade of Fort Harmar came into view. The frontier fort guarded the confluence of the Muskingum River with the Ohio, and this spot also marked the beginning of the land which the Ohio Company had agreed to purchase from the U.S. government. The settlers who stepped ashore that morning, at the future town of Marietta, were veterans of the Revolutionary War and their families, who were following a plan for the settlement of the Ohio Valley which had been laid out by George Washington.

Serious planning for the settlement of Ohio had begun at the Continental Army's New Windsor Cantonment even before the end of the Revolutionary War. The Continental Congress had promised, on Sept. 20, 1776, that those who enlisted in the Continental Army would receive a bounty of government land on which they could establish a home and farm. Officers and men were also supposed to receive a monetary bonus at the end of the war. But, by 1783, the pay for both officers and men was seriously in arrears, and the Continental Congress had no power to compel the separate states to contribute money to pay the army.

The lack not just of money, but of food, clothing, and supplies was so desperate that some began to talk of mutiny, desertion, or marching on Congress to obtain redress. Many officers and men had been unable to support their families, and had been forced to sell off their land or personal possessions to raise funds. In this situation, General Washington and the cooler heads among his officers proposed that the army take its bonus in the form of land in the Ohio River Valley, and build a major settlement there. Washington had been familiar with the Ohio Country since 1753, when he carried a message to the French forts near Lake Erie, and he had scouted and surveyed it many times since.

Exactly five years before the settlers landed at Marietta, on April 7, 1783, one of Washington's officers at New Windsor, Col. Timothy Pickering, wrote a letter to a friend describing the discussions that were going on in the army: "But a new plan is in contemplation, no less than forming a new state westward of the Ohio. Some of the principal officers of the army are heartily engaged in it. About a week since the matter was set on foot and a plan is digesting for the purpose. Inclosed [sic] is a rough draft of some propositions respecting it, which are generally approved of. They are in the hands of General Huntington and General Putnam for consideration, amendment, and addition.

"It would be too tedious to explain to you in writing all the motives to attempt this measure, and all the advantages which will probably result from it. As soon as the plan is well digested, it is intended to lay it before an assembly of the officers, and to learn the inclination of the soldiers. If it takes, an application will be made to Congress for the grant, and all things depending on them. I shall have much to say to you on this subject."

In the following month, on June 16, a petition signed by 288 officers of the Continental Army was sent to Congress, asking for Ohio Valley land for any officer or soldier who had served for three years. That same day, Gen. Rufus Putnam, who was to lead the settlers to Marietta, wrote to Washington asking him to write to Congress himself to back up the soldiers' petition.

Putnam also proposed that a chain of forts be built on the Scioto River from the Ohio to Lake Erie to guard the prospective settlers against attacks by the British-allied Indians. The Ohio Valley and Great Lakes Indians had been repeatedly encouraged—the British called it "blooding the Indians"—to attack America's Western settlements during the Revolution. The continued British military presence at Detroit, Niagara, and Oswego, despite the provisions of the Treaty of Paris which ordered them to withdraw to Canada, was a grim reminder of what might face any settlers in Ohio.

In that same letter to Washington, Putnam also laid out how the army was thinking about the actual settling of the land in Ohio. The soldiers had not fought and defeated the British Empire in order to allow the same oligarchical European land practices to get a foothold in America. "That the petitioners, at least some of them, are much opposed to the monopoly of lands, and wish to guard against large patents being granted to individuals, as in their opinion such a mode is very injurious

to a country, and greatly retards its settlement, and whenever such patents are tenanted, it throws too much power into the hands of a few." As time passed, the American pattern of land ownership seemed normal, but to visiting Europeans it was a remarkable change from the hierarchical and still largely feudal system of Europe.

George Washington wrote the next day to the President of the Congress, urging him to support Congressional legislation for the settlement. In closing, Washington wrote: "I will venture to say it is the most rational and practicable scheme which can be adopted by a great proportion of the officers and soldiers of our army, and promises them more happiness than they can expect in any other way. The settlers being in the prime of life, inured to hardship, and taught by experience to accommodate themselves in every situation, going in a considerable body, and under the patronage of government, would enjoy in the first instance advantages in procuring subsistence, and all the necessities for a comfortable beginning, superior to any common class of emigrants, and quite unknown to those who have heretofore extended themselves beyond the Appalachian Mountains. They may expect, after a little perseverance, competence and independence for themselves, a pleasant retreat in old age, and the fairest prospects for their children."

But Congress delayed acting on the army's petition, partly due to the fact that the new nation still had a Confederation government that was very weak. In April of 1784, Putnam wrote to Washington about the delay, saying that, "From these circumstances and many others which might be mentioned, we are growing quite impatient; and the general inquiry now is, when are we going to the Ohio?" Two years later, there was still no decision on the Ohio Valley lands, but on March 3, 1786, a group of former Continental Army officers met in Boston and founded the Ohio Company of Associates to begin to settle the Northwest Territory. Rufus Putnam was named chairman of the company, and Rev. Manasseh Cutler was named as negotiator with the Continental Congress.

Cutler helped to draft the document which would become the Northwest Ordinance on July 13, 1787. He and the members of the Ohio Company insisted that a clause be inserted which would prohibit slavery in the new territory. By this time, many soldiers had been forced to sell their bonus certificates for less than their value or make financial arrangements that tied them to their present location. As a result, the number of settlers heading for Ohio was much smaller than originally planned, but the soldiers' families still carried out the method of orderly settlement in groups, rather than the older method of single families building a cabin in the wilderness far from their neighbors.

Rufus Putnam, who led the Ohio Company settlement, had first served in the French and Indian War, and had practiced surveying. When the settlers arrived at the site of Marietta (named for the French Queen Marie Antoinette, whose nation had aided the American Revolution) the design for the town, which had been drawn in Massachusetts, was seen to be impractical.

For one thing, the site of Marietta had been, centuries before, a settlement of the Hopewell Indian civilization. There were many tall mounds, some conical, some in the form of snakes, and others like broad temple steps. Putnam redrew the town plan, designing it around the mounds in order to preserve them, and located the town's cemetery around the tall "Comus" mound, the burial site of a Hopewell chief. There, the veterans of the Revolution lie today buried side by side with the Hopewell Indians.

Because the British were still occupying American territory, the settlers built a large wooden fortress, which had apartments for all the families. Mrs. Putnam brought their children, their furniture, and her cello from Massachusetts. After a brief period of calm, the British began to "blood" the Indians and send them against the settlers. The Ohio Company blockhouse 30 miles north of Marietta was wiped out, with all inhabitants killed or captured. But the threat of picking off settlers one by one was the more usual daily occurrence. The Indians would steal a cow and take off its cowbell. Then, when settlers went out to find the cow, the Indians would ring the bell in dense brush and lure the searchers to their deaths.

When the Indian war broke out, the settlers at Marietta sent a memorial to Congress asking for assistance. There had been

resistance by some Congressmen to the settling of Ohio, fearing that their states would lose population, and the settlers referred to that opposition as well as to their direct connection to Washington's plan. They wrote that, "It is with pain that we have heard the cruel insinuations of those who were disaffected to the settlement of this country. It is not possible that those men who have pursued into these woods that path to an honorable competence which was pointed out to us by the Commander-in-Chief of American armies, should be doomed to be the victims of a jealous policy, and to see the mangled bodies of their friends exposed—a spectacle to prevent immigration."

Finally, in 1796, Gen. Anthony Wayne's victory at Fallen Timbers forced the British to withdraw to Canada. President Washington appointed Rufus Putnam as a judge of the Northwest Territory, and on Oct. 1, 1796, he appointed Putnam Surveyor-General of the United States. Putnam served as a delegate to the Ohio Constitutional Convention in 1802, and, by his influence, succeeded in fending off an attempt, supported by President Thomas Jefferson, to make slavery legal in Ohio.

"No colony in America," wrote President Washington in 1790, "was ever settled under such favourable auspices as that which was first commenced at the Muskingum. I know many of the settlers personally, and there never were men better calculated to promote the welfare of such a community."

All rights reserved © 2006 EIRNS

[top of page](#)

[home page](#)