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—Lyndon H. LaRouche, Jr., Sept. 15, 2001

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From the Associate Editor

Speaking to a weekend cadre school of young political organizers in California on Oct. 11, Presidential pre-candidate Lyndon LaRouche summed up the approach which those wishing to exercise leadership must take, in this tumultuous time: “Think like a scientist. Be a voice of reason, in a sea of hysteria.”

That message is coming across, loud and clear, in LaRouche’s many speeches and interviews since the terror attack of Sept. 11. He is conducting a calm and thoughtful dialogue with people from many walks of life, and many nations. Our *Feature* is his Oct. 2 video-conference with Peruvian engineers, who peppered him with questions on the future of their nation, the world economy, the education of their children, and the nature of Man. In *International*, we have excerpts from LaRouche’s Oct. 9 two-hour interview with Utah radio talk-show host Jack Stockwell, with whom LaRouche was on the air at the very moment, on Sept. 11, that the attacks on the World Trade Center were occurring.

There is no way that any anti-terrorist campaign can succeed, unless the collapse of the global financial and economic system is addressed. That truth is beginning to dawn upon some people, to one degree or another, as we report in this issue:

- In Eurasia, even as the strategic dangers have intensified dramatically, so the need for great infrastructure projects, as LaRouche has defined them, is becoming better understood. See our report on the breakthrough decision by Russia to build a rail bridge from the Eurasian continent to Sakhalin Island in the Pacific Ocean; and our international correspondents’ evaluations of how the crisis is affecting many of the Eurasian nations.

- In the U.S. Congress, we are seeing a degree of serious concentration on the question of *rebuilding the nation’s vital infrastructure*—from railroads to health care—that has not been witnessed in those parts for many a year (see *National*).

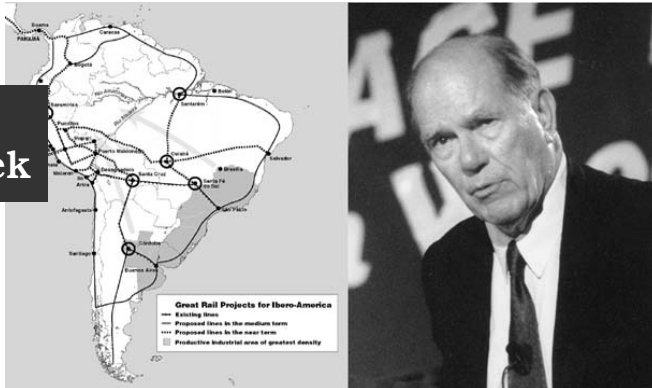
- In South and Central America, the economic crisis is desperate, but the solutions lie at hand, as LaRouche told the Peruvian engineers. A fascinating complement to that, is our interview with U.S. transportation consultant Hal Cooper, on the concept of building a land-bridge “from the Bering Strait to Tierra del Fuego.”

Susan Welsh

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of South America.*



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Depression Is Hitting All The G-7 Economies

by Lothar Komp

“World On Verge of Depression,” the Nikkei Press headline for Oct. 7, was a dramatic statement for the financial press, but already out of date. That weekend the Group of Seven Finance Ministers met in Washington under strong, public pressure from the International Monetary Fund and Federal Reserve to cut, cut, cut interest rates, pump new liquidity from every central bank, and buy dollars in desperation to hold off collapse of the world’s reserve currency.

In earlier times, the cut of interest rates by a leading central bank was somehow an extraordinary event. On the stock markets, it would be celebrated with frenetic buying. And businessmen were expected to take advantage of the lower financing costs, and crank up their investment plans, creating new jobs. Within one or at most two quarters, according to the rule of thumb, a cut in interest rates was supposed to lend the economy new impetus.

This time, everything seems to be quite different. On Oct. 2, the Federal Reserve, for the ninth time this year, lowered its key interest rates. Almost all of these interest rate cuts were “double portions,” in that they were a half-percent, not just a quarter. Thereby, the interbank overnight rate dropped to the lowest level since the Cuban missile crisis of 1962, and the Fed’s discount rate for emergency credits to commercial banks was down to 2%, the lowest level in 43 years.

Nine months have passed since this unprecedented round of interest-rate lowering was introduced. On top of this, the U.S. administration promised huge tax cuts and already paid out \$40 billion in refunds to households. Regardless, the downward spiral of the economy has only gained in speed.

Even prior to the Sept. 11 attacks, U.S. consumer confidence had hit its lowest point in 11 years. Industrial capacity

in August reached its lowest point in 18 years. And there have never been so many employees laid off in nine years, as in the month of September. The dynamic of worldwide economic decline leaves only one conclusion to be drawn: We are not dealing this time with a cyclical recession, but with a self-aggravating crash dynamic. For the first time in more than 70 years, the world economy is tumbling into a depression.

U.S. ‘Stimulus’ Failed In Japan

Now, the new stimulus packages in the United States are supposed to breathe new life into the economy. On Oct. 3, President Bush reckoned the dimensions of the first such package at \$60-75 billion, in addition to the \$40 billion voted up after Sept. 11 for fighting terrorism, and for rescue and cleanup operations, as well as the \$15 billion for the airline industry. The expected, drastic increase in defense expenditures is not contained in these figures. And in addition, there are the \$110 billion in planned tax cuts for the fiscal year which has just begun.

Good evidence, to show how ineffective even a dozen such stimulus packages of this type are, in the absence of a thorough “Chapter 11” bankruptcy reform of the rotten financial substructures, is provided by the example of Japan. Eleven years have passed since the speculative bubble burst there, in which the government and the Bank of Japan, the central bank, pumped trillion-dollar figures into banks and the economy. Despite this, the Japanese banks are more bankrupt today than they were 11 years ago, even though they are not allowed to formally announce it.

According to the Tankan report issued by the Bank of

Japan on Sept. 28, the collapse of the economy, officially characterized as “recession,” was further aggravated in the last quarter. An analyst at the Japan department of the British bank HSBC commented: “This is no longer a recession, it is a depression.” The Japanese stock market, after 11 years, is still falling further, and market values have reached one-fourth what they were in 1990.

In Western Europe as well, the direction is downhill, and not only on the stock markets. In the first eight months of the year, 270,000 jobs have been lost in big companies in the European Union. The indices for business climate in Germany, France, Great Britain and Italy are at their lowest levels in 3-5 years. In September, the Reuters purchasing managers index, which measures industrial activity in the euro-zone, the countries using the single European currency, fell for the sixth month in a row. Particularly hard hit were Germany, Spain, France, and Italy, where the index reached its lowest point since it was established in June 1997. Indicative of the economic activity in all of Europe, are also the new orders for the German machine-building sector: Orders have been falling since February, and in August they dropped by 21%, with an 11% fall in domestic orders, and 28%, from abroad.

Entire Economic Sectors Crumble

What is characteristic for the worldwide downward economic spiral, is that, with every new wave of disaster, another sector starts to disintegrate, and is hit by mass layoffs or bankruptcies. In the beginning, in Spring last year, it was the highly praised “tech” sectors, which dropped from one day to the next, from euphoria into depression. The telecom sector played a leading role in this, once the New Economy illusions vaporized and the incredible telecom debt mountains were suddenly recognized as a problem.

The ensuing dramatic breakdown of investment activity of the biggest telecom companies terribly hit the telecom equipment producers. John Chambers, head of the market leader Cisco, described it as a “flood of the century,” and the biggest crisis “that we have ever seen.” The meltdown in this sector continues unabated. On Oct. 2, Nortel Networks announced, that, in addition to the 30,000 layoffs decided in Spring, that it would fire another 20,000, thus halving its workforce since the beginning of the year. The formerly showcase company Lucent Technologies, has also eliminated 50,000 of its 100,000 jobs this year.

The chip sector is also going through the greatest crisis of its existence. New horror announcements were regular agenda items in August and September, particularly with memory chips.

Infineon fired 5,000 workers, cut investments and announced short work. As a result of the collapse in demand, prices for 128-megabyte DRAM chips fell to less than \$2, whereas production costs at Infineon were \$7. Infineon stocks, since July, have lost further two-thirds of their value, and there is no relief in sight; the specter of insolvency is on the

horizon for next year. Competitor Micron Technology in the United States, reported a drop in sales for the third quarter, in the order of 79% compared to last year. Hynix in South Korea, another leading representative of the sector, would have declared bankruptcy long ago, had the government and banks not rushed in with a bailout package.

In August, worldwide, chip turnover was 42% below that of the previous year, and the collapse was even worse in the memory chip segment.

Now, it is the airline industry that is being hit. The crisis in the U.S. airline industry had begun quite a while ago, but since Sept. 11, the sector is in free fall. Within two weeks U.S. airline companies announced 100,000 layoffs. In Europe and Asia, the same game is starting: British Air lays off 5,000, Dutch KLM fires 2,500 and puts another 12,000 employees on short work. From the United States, to New Zealand, Switzerland, South Korea, and Belgium, governments are being forced to come to the aid of their threatened airlines, something which at least in the case of the first three nations, would have been unthinkable.

Despite this, a wave of bankruptcies is inevitable. The London *Financial Times* is calling for the “culling” of the European airline industry, whereby only a handful would survive of the three dozen or so that now exist. The bankruptcy of SwissAir unleashed a chain reaction among branches in Belgium, France, and Germany.

SwissAir: Is Anything Too Big To Fail?

From another point of view, as well, the collapse of SwissAir is very important. It is not only, as the Swiss media say, a matter of “the biggest bankruptcy case in Swiss financial history,” but also the first case of state intervention in favor of a Swiss private company, since the Second World War.

The banks, UBS and Crédit Suisse, had declared their willingness to take over two-thirds of the airline operations of SwissAir, but they did not want to have anything to do with the mountain of debt which has built up, through SwissAir’s international takeovers in the past years. Thus, SwissAir had to declare a debt moratorium on most of its 17 billion Swiss francs debt. From then on, SwissAir had to pre-pay for all of its jet fuel. When the banks stubbornly refused to approve a bridge loan for these purchases, the government had to advance the fuel money.

Innumerable shareholders or bondholders of SwissAir have lost a fortune in the bankruptcy. Once above SFr 500, SwissAir stocks were trading for SFr 41 on Friday, Sept. 28; then, after trading in the firm re-opened on Oct. 3, they crash-landed at a bit more than one Swiss franc.

The depression, meanwhile, is moving ahead, looking for new victims. Leading candidates are insurance companies, banks, and the automobile sector. If the flagship airline of the most serious financial center of the world bites the dust, is there any bankruptcy of any firm that still seems impossible?

'Staggering Pressure' By U.S. Strains Asia To The Limit

by Kathy Wolfe

Following U.S. Deputy Secretary of State Richard Armitage's Sept. 14 demand to "see the flag of the Rising Sun flying in the Indian Ocean," Japanese Prime Minister Junichiro Koizumi offered to send a Japanese Navy flotilla to join the *USS Kitty Hawk* carrier group, which is operating against Afghanistan. Soon thereafter, President George W. Bush sent a personal memo to Koizumi, Tokyo's *Weekly Post* reports, demanding that Japan rewrite its laws against foreign military action, and Koizumi is doing so. "The pressure from Mr. Bush was staggering," Koizumi's office told the *Post*. Six Japanese Air Force C-130 cargo planes already landed in Pakistan on Oct. 9 for the U.S. "refugee supply" air drop.

While some other Asian nations have also rushed to support the U.S. operation, after heavy Washington pressure, they are also up in arms about the new "Japanese militarism." "Any role that the Japanese government can play in the military field is a very sensitive question and should be dealt with in a prudent manner," China's Foreign Ministry said on Sept. 28. South Korean President Kim Dae-jung, who almost ended the Cold War with his peace summit in North Korea, has lost three-fifths of the National Assembly, and his government hangs by a thread, as students across Seoul demonstrate against Japan, and against Kim's government, which has bowed to International Monetary Fund (IMF) austerity policies.

Meanwhile, Asia's economies are falling off a cliff "much worse than the so-called 'Asia crisis' in 1997," as former Japanese Vice Finance Minister Eisuke Sakakibara put it on Oct. 2. "The world could fall into a simultaneous depression like that seen in the 1930s, something the postwar global economy has never experienced," Tokyo's staid *Nihon Keizai News* (Nikkei) editorialized on Oct. 8. Japan, Korea, and the rest of Asia now suffer a vast collapse in their exports. The "sharp decline in information technology and falling consumption means the U.S. can no longer play the role of 'buyer of last resort,'" Nikkei writes, paraphrasing *EIR's Feature* "Demise Of The Importer Of Last Resort," which has been well-circulated in Tokyo.

The current political situation is a far cry from last November, when leaders of China, Korea, Japan, and the ten Association of Southeast Asian Nations (ASEAN) joined in close cooperation, and threatened to dump the so-called "Washington Consensus" IMF austerity policies. At the May 8-11 Asian Development Bank meeting, one Korean official

said that the "ASEAN-Plus-3" countries (ASEAN plus China, Japan, and South Korea) already had more than \$800 billion in reserves, and should "act like OPEC [Organization of Petroleum Exporting Countries] . . . and use their joint economic power effectively to achieve their own ends." They were about to set up their own Asian Monetary Fund, a step toward kicking over the IMF.

However, the question is, how long can pressure from Washington keep Asian nations within a financial-strategic geometry which is leading to their destruction?

Eurasian Alternative

With the threat of terrorist Armageddon hanging over the world's major cities since Sept. 11, plus a series of demands by President Bush, Japan and South Korea appear to be lining up to try to somehow shore up the current collapsing IMF-centered system. Japan's Koizumi government has bought more than \$30 billion in U.S. dollars during September alone, trying to hold up the dollar on the foreign exchange markets. The U.S. currency would drop like a stone if Japan stopped buying it. "The dollar may fall if we come off guard even momentarily," Japan's Finance Minister Masajuro Shiokawa said on Oct. 2. "There is good reason to sell the dollar: Look at the American economy, look at the safety situation in America," said one Tokyo trader. "Prospects are negative; the dollar is overvalued. The market is increasingly aware that the dollar is losing its status as a safe-haven."

On Sept. 21, South Korea sold off its giant \$10 billion Daewoo Motors to General Motors for a nickel on the dollar, and could soon be forced by U.S. government pressure, to allow the shutdown of Hynix Semiconductor, the world's third-largest computer chip maker, which produces 10% of Korea's electronics exports. "We've done *everything* the IMF has demanded since 1997, and gotten absolutely *nothing* out of it" except major bankruptcies, as one Asian diplomat told *EIR* recently.

Yet, with the global IMF system crashing down around their ears, and the dollar and the United States visibly dependent on Asia to an enormous extent, one wonders how long Asian leaders will tolerate the situation. The more the dollar-based IMF system falls apart, and the more it drags Asian economies into the pit with it, the more the reality of mass unemployment will sink in, and the more angry the opponents of the IMF system inside Japan, China, South Korea, and

other nations are likely to become. As this crisis wears on, the alternative of cooperation between the nations of the Eurasian landmass to build an entirely new system becomes a very attractive proposition.

The Russian government's Oct. 4 proposal to build a rail line linking the mainland line of the Trans-Siberian Railway to Russia's Sakhalin Island, and then to Japan's Hokkaido Island, is a good example (see article, p. 14). While Russian President Vladimir Putin has been proposing economic development cooperation between Russia and the ASEAN-Plus-3 nations for some time, official Japanese public response has been muted—partly because any move to combine the strategic weight of Russia to the ASEAN-Plus-3 would set off hysterical alarm bells in Washington. Tokyo is already flooded with complaints from the Pentagon, Wall Street, and U.S. think-tanks, that Russia and China have created the Shanghai Cooperation Organization and related plans for Eurasian Land-Bridge development, solely to “divide America from its allies,” as Constantine Menges of the Hudson Institute has written in widely circulated articles. Russia and China plan “to persuade Japan to begin moving away from the U.S. security alliance,” Menges alleged in a recent *Washington Post* commentary.

Yet, both Russian and Japanese business sources tell *EIR* that Japan's private diplomatic response to the plan to extend the Trans-Siberian Railway to Hokkaido has been very positive, and that a formal contract for the deal has even been drafted. Russian Minister of Railroads Nikolai Aksyonenko said on Oct. 4 that preliminary talks with Japan have taken place and that “heightened interest was expressed by Japanese multinationals such as Mitsui, Sumitomo, and others. They say it is interesting and important to them.”

Cooperation Between Russia and Korea

Meanwhile, the “Third Korean-Russian Forum” in Moscow on Sept. 27-28 discussed a wide range of large-scale projects planned between South Korea and Russia, Korean Foreign Ministry sources report. The forum focussed on new North Korea-Russia relations following North Korean Chairman Kim Jong-il's recent visit to Russia; and South Korea-Russia cooperation in Northeast Asia and on the Korean Peninsula. It was co-hosted by the Korea Foundation and the Diplomatic Academy of the Russian Foreign Ministry. South Korean Deputy Minister for Foreign Affairs Yim Sung-joon met Russian Deputy Minister of Foreign Affairs Aleksandr Prokhorovich Losyukov and discussed plans for another Korea-Russia heads of state summit. Projects discussed included the “linking of the Trans-Korean Railway and Trans-Siberian Railway,” the Korean Foreign Ministry reports, which refers to President Putin and President Kim Dae-jung's plan to help rebuild North Korea's rail network and link it to the South and to the Russian lines. Also discussed was the project to build a natural gas pipeline from Russia's giant Irkutsk gas field, several thousand miles through Siberia and down the Korean Peninsula, with a possible link to Japan.

Russian Minister Aksyonenko also referred to the fact that the Sakhalin-Hokkaido rail link might be in for some competition from a project, already under study in Japan and Korea, to build a bridge and tunnel link between Pusan, at the southern tip of Korea, and Japan. Most of these projects now under discussion first became public in *EIR*'s January 1997 *Special Report*, “The Eurasian Land-Bridge: The ‘New Silk Road’—Locomotive For Worldwide Economic Development” (see **Figure 1**).

While North Korean Chairman Kim has still not agreed to a second Inter-Korean Summit in Seoul—part of the reason South Korean President Kim Dae-jung has lost his ruling majority in the National Assembly—even North-South Korean relations, which had been on hold under hostile pressure by the Bush Administration's Armitage, have begun to move forward.

At a high-level ministerial North-South meeting at North Korea's Mt. Kumgang on Oct. 5-6, Pyongyang took the unusual step of presenting a substantial 11-point agenda, including such new items as the proposed gas pipeline across the peninsula. The two sides also agreed to move forward the road and rail link projects north of Seoul. South Korea has already carried out a lot of construction, unlike the North, which has yet to ratify a protocol on work within the demilitarized zone. South Korea especially wants the main rail and roadway crossing north of Seoul to be finished, in order to expedite the proposed Kaesong industrial complex just across the DMZ in North Korea, which could become a giant investment zone for North-South cooperation. Both sides have now committed themselves to getting on with this rapidly, and the North Korean documents reportedly referred to linking the railway to Russia, reflecting the calls for this in Moscow as well. There will also be a new round of reunions of separated families in Seoul and Pyongyang on Oct. 16-18, an emotional event which should give some popular support to Kim Dae-jung, who sorely needs it.

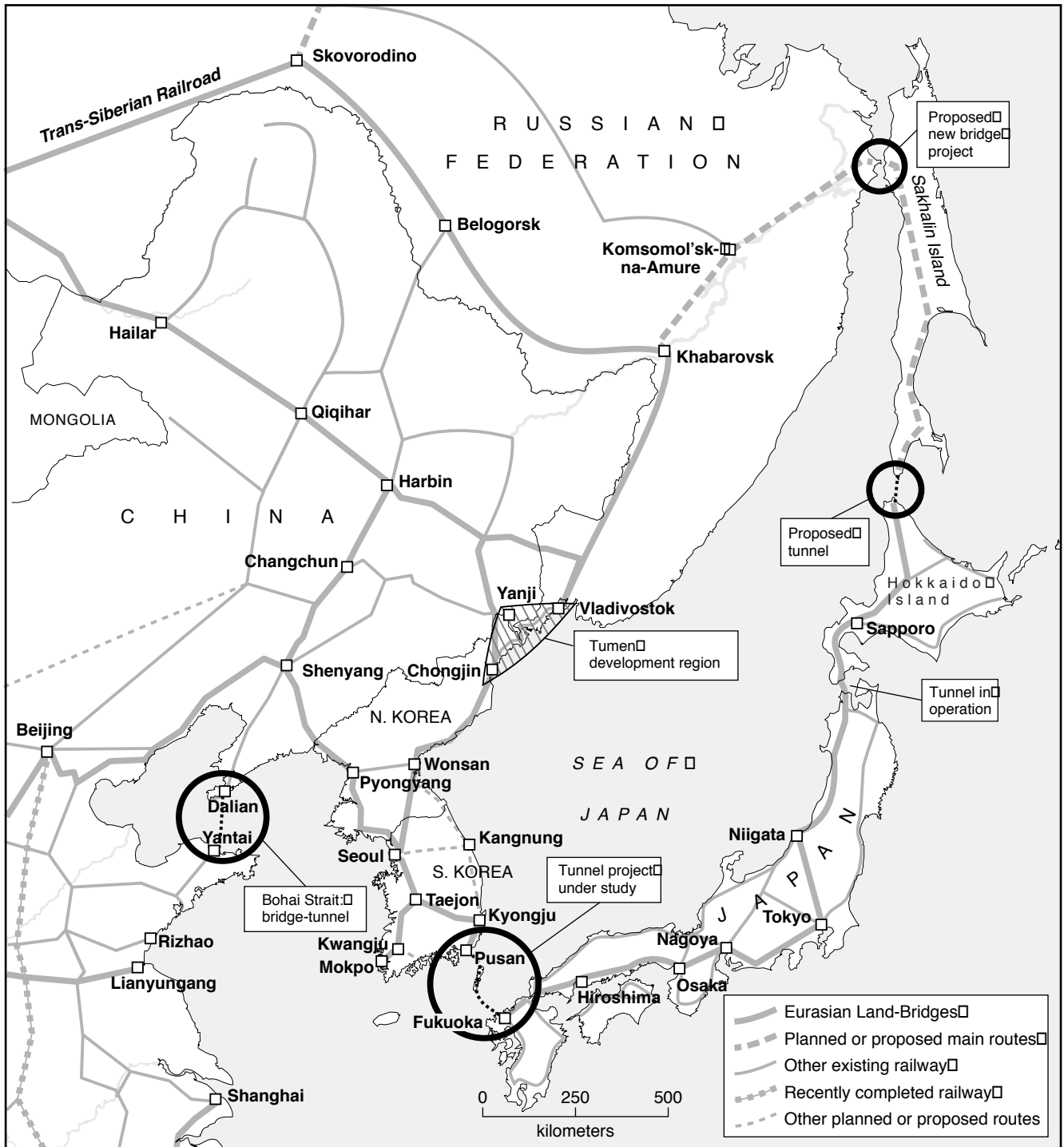
Even Japanese Prime Minister Koizumi, who has angered many Asian neighbors with his kowtowing to Washington, is trying to cover his bets, travelling to Beijing on Oct. 8 and Seoul on Oct. 15, for summits with Chinese President Jiang Zemin and South Korean President Kim. Koizumi visited the Beijing Memorial Hall to China's war against Japan of 1937-45, and apologized for Japan's wartime actions. In Seoul, he was scheduled to visit the Seodaemun Museum, a former Japanese prison where Korean independence fighters were tortured and killed during Japan's occupation of Korea (1895-1945), where he was expected to make a similar apology.

Global Supply Chain Breaks Down

Meanwhile, top Asian government sources told *EIR* at the end of September, even before Sakakibara spoke, that the East Asian economic situation is “already far worse than anything that happened after 1997.” While the United States was already collapsing as the “importer of last resort,” as *EIR* documented much earlier this year, the disaster has snowballed.

FIGURE 1

Far East: Infrastructure Projects



Russia has announced plans for a bridge linking the Eurasian mainland to Sakhalin Island, and hopes that Japan will build a tunnel linking Sakhalin to Hokkaido Island. This and several other projects were outlined in this map of the region, which appeared in EIR's 1997 Special Report, "The Eurasian Land Bridge. The 'New Silk Road' — Locomotive For Worldwide Economic Development."

Normal world trade in an “open global economic system largely fashioned by the U.S. . . . [has been] destroyed,” Japan’s Nikkei wrote in its Oct. 8 editorial, titled “World On Verge Of Depression.” “Trust between nations is a prerequisite for global-scale business and investment. When that trust is shaken, the global supply chain breaks down and the costs and risks of economic activity increase.” More bluntly, no one in Asia knows whether they will ever get paid for exports they may ship to the United States, all of which are normally sold on credit—and so production and investment in Asia are drying up.

The fact is, that Asia is so dependent on the U.S. market, that when it shuts down, Asia shuts down. Nikkei points out that oil prices are down 10%, due entirely to the “collapse in demand for fuel,” mostly involving a general shutdown of factories, transportation, and energy use in Asia. The last time the world oil price dropped like this was when 30% of Asian factory production closed down during the 1997-99 crisis. In Japan, unemployment is up to a staggering official rate of 5%—an equivalent of 10% in the United States—and one in five workers is afraid of imminent layoff, the Japan Institute of Labor reported on Oct. 7. In Korea, there are unemployment riots going on. In Thailand, the impact of 1.4 million unemployed is so severe that the rate of prostitution will rise as a direct result.

Japan’s situation is indicative of what’s going wrong in every Asian country dependent on the U.S. market. Almost all the economic yardsticks were weakening rapidly, even before the Sept. 11 attacks in New York and on the Pentagon. Industrial production in August posted the largest-ever year-on-year decline, of 11.7% compared to August 2000. The business confidence index for the electronic machinery industry fell 25%, while those for other export-oriented industries also fell sharply. Firms surveyed by the Bank of Japan said that their inventories were ballooning, because they could not cut production fast enough to keep pace with the fall in demand for their exports to the United States and the rest of Asia.

Despite the central bank’s money-printing binge, Japan is experiencing a 1929-style *deflation* in industrial prices, as many blue-chip export companies cut thousands of jobs, bringing the unemployment rate to a record 5% in August. The problem is, that no matter how much *monetary inflation* the central bank creates by printing yen at 0.25%, consumers, fearing job loss any moment, are cutting all but urgent purchases, and corporations, fearful of bankruptcy, are refusing to borrow any more funds. No matter how large the supply of money, there is just no demand for it; neither consumers nor producers are willing to borrow. In fact, most corporations are using all available funds to pay down debt. As a result, producer and consumer prices in Tokyo fell by the largest margin on record in September, for the 24th consecutive month of year-on-year decline.

As the Nikkei stock index collapsed below 9,500 on Sept. 20, the capital of most Japanese banks (which hold stocks as capital) fell below Bank for International Settlements standards for solvency. Weak share prices, which are now at 17-year lows, are triggering a vicious cycle, by weakening corporate earnings and spooking consumers into even less spending as their portfolios drop—which just causes stocks to slide even further. Since Prime Minister Koizumi took office in March, stocks are down 25% and the elite companies on the Tokyo Stock Exchange’s First Section have lost more than \$1 trillion in capital.

‘Vulture Funds’ Circling

Worse, the *Weekly Post* reported on Oct. 8, President Bush put enormous pressure on Koizumi at their Sept. 26 White House meeting to go along with the IMF’s plan to write off huge chunks of bad bank loans, which will bankrupt Japanese banks’ borrower companies, allowing U.S. corporations to buy them up cheaply, as has already happened in Korea. The *Post* reports that Goldman Sachs and other Wall Street investment bank “vulture funds,” as they are called in Tokyo, have already bought up \$250 billion in bankrupt Japanese companies a nickel on the dollar, and are demanding more carrion to feed on.

The bankruptcy of major Tokyo retailer Mycal Corp. on Sept. 17 was an indicator of the IMF policy being implemented, without announcement, by Tokyo regulators, one official told *EIR*. Mycal collapsed with \$14.6 billion in bad debt after its main creditor, Mizuho Holdings, the world’s largest bank, took the rare action of cutting off all financial support, incurring a \$2.5 billion bank loss. What is new, is that Mizuho’s loans to Mycal had not been categorized by the regulators as “at risk” bad loans, but rather as “gray-zone” loans, classed as corporate loans simply “requiring caution,” but not deemed likely to go into default. The official “bad” loans figure in Japan totals \$343 billion, but official “gray” loans are more than \$1 trillion.

Officials believe that regulators told the bank to cut off Mycal as part of a new policy demanded by the IMF, squeezing banks to cut off both “bad” and “gray” loans. Since the true figure for “bad” loans is known to be more than \$1 trillion, the total “bad plus gray” figure is more than \$2 trillion and probably closer to \$3 trillion. If all such loans are to be called in, this would mean numerous bank bankruptcies, and a doubling of Japan’s current 5% unemployment rate, throwing 2-3 million more people out of work.

So much bad debt has now piled up in the banks, that Standard and Poors and Moody’s rating services are predicting the government will have to spend trillions of dollars to bail out the banks. They threatened Sept. 27 to downgrade Japan’s national government credit rating from AA, to the single A category, which would make Japan the lowest-rated member of the G-8 industrial nations.



Bring The Eurasian Land-Bridge To America

Transportation consultant Hal B.H. Cooper, Jr. is based in Seattle. He designed the schematic maps for priority world rail routes, published in the January 1997 EIR Special Report, "The Eurasian Land-Bridge: The 'New Silk Road' – Locomotive For Worldwide Economic Development." Among his current projects, Cooper is actively promoting a new "Alaska-Canada-Lower 48" Rail Corridor, connecting via the Bering Strait, with Eurasia. He was interviewed on Oct. 4 by Marcia Merry Baker.

EIR: Back in 1997, *EIR* published your maps (Figures 1 and 2), of what ought to be world priority rail routes, in the report on the proposal for the Eurasian Land-Bridge. Since then, a lot has happened. Now there is talk in Washington and other capital cities, that because of security, or because of projects long overdue, we should start moving on infrastructure. Let's begin with the Western Hemisphere. What can you say about the North American routes never built? What about the Alaska-Canada Highway, the "Al-Can"?

Cooper: Well, certainly, going back to early in the 20th Century, there were proposals to build that line, and in fact, the proposals involved building a tunnel under the Bering Strait, and connecting to the rest of the world. But with the onset of World War I, that was stopped. Some people say that that was one of the reasons that World War I happened, for the specific purpose of stopping that railway development.

But in more recent times — there had been some interest in World War II, but it was shelved because of the steel shortage. And now, there is renewed interest in building the railroad, in conjunction with a natural gas pipeline, electric power generation, and perhaps water transport, along the lines of the NAWAPA [North American Water and Power Alliance] project.

EIR: In other words, at the time of the Al-Can Highway — that was World War II — would that be the same route?

Cooper: Yes it would.

EIR: Is it through the Peace River Valley? Or how does it go?

Cooper: No. Actually, the way it goes, is that the rail line would generally parallel the existing Alaskan Highway. Starting from Fairbanks, it would come down through the valley parallel to the highway through Delta Junction and Tok Junction

to a place called Alcan, at the border, to a place called Beaver Creek, and down through Whitehorse in the Yukon Territory in Canada, over to Watson Lake. Then, coming around in the Liard River region, over to Fort Nelson, on the east side of the Rocky Mountains (because, as you know, they are not so high up that far north), and then through Edmonton, and then coming down into the United States, into North Dakota, through the Minot and Bismarck area, into the Twin Cities [Minneapolis-St. Paul, Minnesota] area. And then to Chicago, where it would, of course, all connect to the entire rest of the American rail network.

And there would be a separate line going from a place called Teslin in the Yukon Territory, down through Dease Lake to Prince George, British Columbia, to Vancouver, to Seattle; and then, of course, connecting with the West Coast rail network as well. So, there would then be direct rail access from Alaska down to the Lower 48 states on the West Coast and in the Midwest.

EIR: How long would the route be from the Alaska border?

Cooper: The part that has to be built, that doesn't exist now, is about 1,300 miles. The total corridor between Fairbanks and Bismarck is approximately 2,700 miles. It's over 3,000 to go to Chicago.

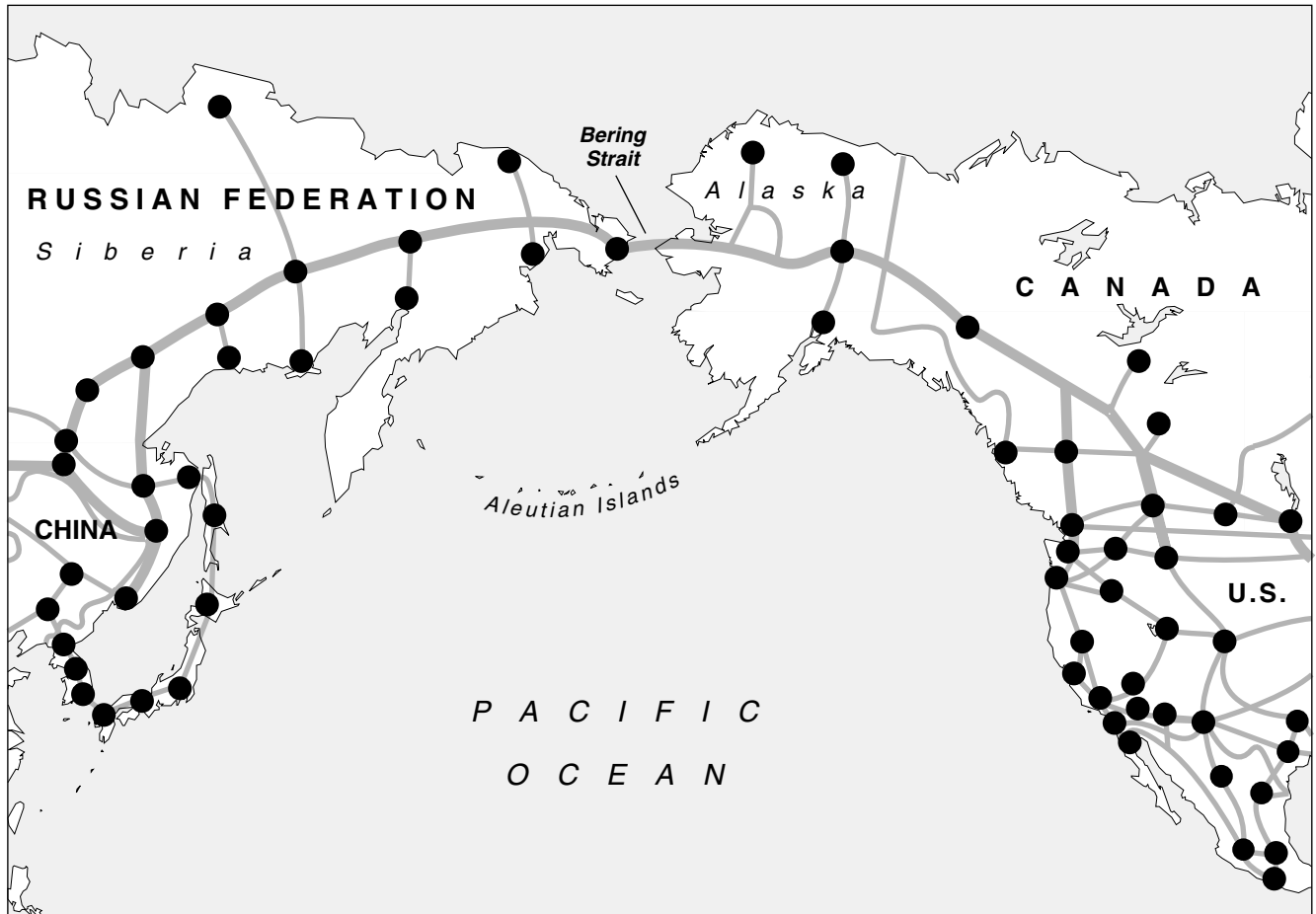
EIR: What about farther down in North America, down into Mexico and Central America?

Cooper: Well, there has been a proposal advanced by a group in North Dakota, called the Central North American Trade Development Corridor, which I discussed in one of my earlier papers on infrastructure development for Latin America. This would come from Minot, through Bismarck, North Dakota, down through Pierre, South Dakota, and ultimately end up in Abilene, Texas, and cross the border at Eagle Pass, Texas into Mexico, and then straight to Mexico City, on the main rail line from Saltillo. That would allow rail development down through Central America to South America, and connect into the rail systems in South America.

EIR: As of 1990, many of the rail lines in South America were still run by the governments. But since then, there has been there, as well as in North America, the so-called "mar-

FIGURE 1

Plan For A Tunnel Connection Under The Bering Strait Between Siberia And Alaska



Source: Redrawn from H.A. Cooper.

ket reform,” the privatization and deregulation sell-off of assets.

Cooper: Yes, that’s correct.

EIR: What effect has that had on the potential for upgrading and getting on with expansion?

Cooper: Well, in some cases, good, and in some cases, not so good, depending on who is doing it. In Mexico, of course, what has happened, is you have had a considerable investment in rail facilities. There have been three different companies involved in privatizations. Although the government has had to keep its participation in those projects.

In South America and Central America, there has been privatization of the Panama Canal Railroad, and I notice in Guatemala recently, there was a privatization. But there is a necessity of whoever is owning the railroads, to greatly expand the infrastructure, and this is really going to require

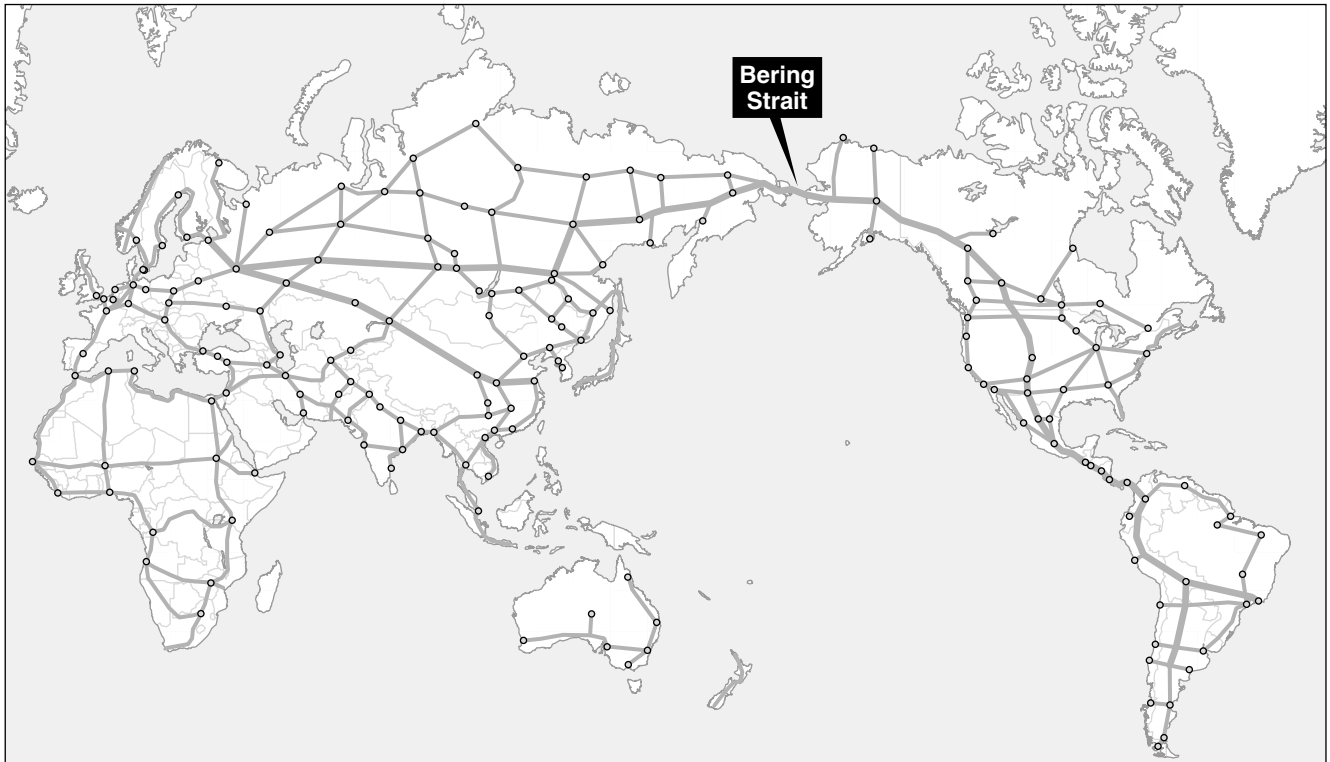
government participation on a major scale, not on a minor scale, as we’ve had.

There’s been a tendency for governments to get out of the business, rather than get in. And that’s probably the exact opposite of what we should be doing—and certainly from the capital investment standpoint. The difficulty with private financing of railroads, is the fact that typically, they are high-capital, relatively low-rate-of-return investments, as compared with some others. As a result, making profits is not necessarily very easy, certainly as compared with energy generation.

EIR: During the first week in October, there were hours of discussion on Capitol Hill about the urgency, for security and infrastructure reasons—because we don’t have any redundancy—to take on capitalizing projects. Can you tell us about the tremendous ripple effects there would be in building rail

FIGURE 2

Main Lines Of A Worldwide Rail Network, As Sketched By H.A. Cooper



projects?

Cooper: I'm going to do that, but first I'm going to answer the security concern, because it was on the news just 15 minutes ago, by Sen. Joseph Biden [D-Del.]: Amtrak wants \$3 billion for infrastructure upgrading. Of course, the airlines have already gotten a \$15 billion package—and Congress has been somewhat reluctant to do that. Interestingly enough, this entire investment of \$3 billion that Amtrak is proposing, is all for the Northeast corridor. There is nothing for the rest of the country. And this is why there's been so much bad feeling against Amtrak, because it's been looked at as an organization that takes care of Boston to New York to Washington, and nothing else. If we're going to have a national system, security included, we need to be thinking about the whole country, and not just a small part of it. And unfortunately, that's the philosophy of the Amtrak management. And frankly, it always has been, and it's been probably one of the biggest impediments to us developing a sufficient national rail system. The mentality needs to change.

Now let's get to the question of materials. The rebuilding of up to 70,000 miles of rail lines across this country, to double-track, or triple-track specification, is going to require, certainly, at least \$100 billion-plus investment, and perhaps significantly more than that. There's going to be the need for a large amount of steel, a large amount of concrete—of course,

reinforcing steel is used in concrete—a number of other metals.

EIR: What is the factor for something like steel per track-mile?

Cooper: For single track-line, it's around 1,500 tons per mile. That includes some sidings, but that's approximately what the number is. You probably have about 2,500 tons per mile for double-track railroad.

There is a need to electrify the railroads, so we don't need to import oil. And that means we can use our domestic energy resources, including nuclear and coal, in powering trains, and then we don't have to use oil.

This is the fallacy of the transportation system that we've developed in this country since World War II: We rely almost completely on airlines for our intercity passenger transportation, and we rely almost entirely on trucks for our intercity freight—certainly for the high-value commodities. That's something that we drastically need to change.

There's going to be a great need for completely rebuilding and reconstituting our entire basic industry infrastructure, including steel, aluminum, cement, and a large number of metal and other industries that have been allowed to languish, and, in many respects, to go down the drain—because of lack of demand, because there has been no force to implement

infrastructure programs. It is finally beginning to be recognized nationally, that it has to be done; and it has to be done for the whole country, and not just for a small part of the country, for railroads. That's certainly the fallacy of Amtrak.

I think that, also, we're going to need to have governments involved from the states. We need non-traditional private companies, that don't think like existing railroad companies. One of the biggest impediments we have, is the "decline and cut" mentality of railroad managements, which very much parallels so many other businesses in this country; which is why we've seen such economic decline, in my opinion.

EIR: "Decline and cut"?

Cooper: Yes. Or, "decrease and cut." In other words, to reduce: continuing reductions in cost, continuing reductions in service, continuing reductions in networks. That's been the policy of railroad managers in this country, since World War II. They've thrown away their base-rate business—it now goes by truck; that, they should have never done.

EIR: You've travelled all about the world, and back and forth to Alaska, on projects. Would you say something about the shifts you see, that could take place politically, for people to change their thinking and revive an orientation for the public good?

Cooper: This next week, there's going to be a conference on the Alaska-Canada rail corridor, between Fairbanks and the Lower-48 states, that will be sponsored under the aegis of the Alaska Legislature, and several of the businesses in the Fairbanks area.

But what we really need to be thinking about is that we have to—in terms of Alaska, there has been somewhat of a political battle up there between the people who want economic development—and which, of course, is focussed, at least initially, on oil and gas development—as compared to those people who are associated with the environmental community, who don't want there to be any economic development at all. Up until very recently, the people involved with the environmental outlook, have been very much predominant; and of course, that completely needs to change, because we see the environmentalist movement, going from a very positive force to a very negative force in the recent past. And I think especially in view of the situation that occurred down in the Klamath River Basin in southern Oregon this past Summer, with water.

There's certainly a mentality that needs to change. The fact that this effort is being made in Alaska is a very good indicator that it is beginning to change.

EIR: On waterborne transportation, the fact is that only six major U.S. ports have high security, and you have a whole system that's underfunded. Financing has been cut to replace dams on inland channels, such as the tributaries of the Ohio—the Monongahela. Do you want to say something on this?

Cooper: I certainly think so. We've been fighting this battle

out here in the Pacific Northwest, where, as you are probably aware, our Seattle City Council passed a resolution to take out the dams on the Snake River. There's been this mentality of, let's protect the salmon, and let's forget about the economies in these rural areas. What we've had is nothing less than rural-cleansing. Of course, the idea about removing dams is just a small part of that. I think we need to go completely in the other direction. We need to get on with the building program, rather than the "taking out" program.

EIR: Recently in Vienna was the World Rail Congress. Among many giving reports there, was Vyacheslav Petrenko, Deputy General Director of the Russian Ministry of Rail Transport, who spoke about—given Russia's location, they are looking for building up their own system to handle volume between Asia and Europe, especially north-south connections to India. Do you want to comment about these kinds of shifts taking place?

Cooper: Russia has always been a country that's relied on its railroad system. Based on my having been in that country five times, and having kept up with what's going on, my assessment is that that's a decision that's basic to their economic survival. In fact, in my opinion, it's one of the reasons that country stayed together during the last ten years—was the fact that it has a good railroad system run by good people.

Russia, of course, is pushing for connections to India, by way of Iran and Azerbaijan. They are also planning to greatly expand infrastructure to and with China, and also into Korea. There have been proposals to rebuild the railroad on Sakhalin Island, connected at both the north end, at the Tatar Strait, and the south end, at La Perouse Strait, with the Japanese system.

There are some gauge change issues that have to be dealt with. A Spanish company, Talgo, which manufactures rail cars that are used in the Pacific Northwest, has a system that can be used for interchanging the gauges of the cars without having to change the wheels. That certainly helps. But I think it would help, at some point in the future, if we all were on the same gauge. Then it would be very suitable. But Russia has an extensive system already that operates on its own gauge. That's certainly some problem that can be worked around.

Russia is really pushing to develop more extensive rail. It was announced at the end of last year from Moscow, that they have done a feasibility study of building the connecting rail to the Bering Strait. Their indication is that that project is economically feasible. It would have a lot of benefits in improving freight transport from the interior of Asia to the interior of the United States.

EIR: The Bering Strait tunnel. What are the engineering issues, for the layman?

Cooper: Well, the Bering Strait is 53 miles wide. The deepest water is about 180 feet deep. There are two islands, Big Diomedes and Little Diomedes, out in the channel, which make it easier to build. The longest underwater crossing is 22 miles.

Actually, it has better soil conditions than the English Channel, where they have already built a rail tunnel. With the English Channel Tunnel being completed, that indicates that the project to build a tunnel under the Bering Strait is certainly a feasible one. It could be readily built.

EIR: Turning to some problems in the current rail system: Besides not completing many routes, what about the fact that the lack of maintenance and underdeveloped infrastructure, such as continuation of grade-level crossings — where the rail and highway are on same level — causes problems? Higher rates of accidents, and so on?

Cooper: Certainly the fact that we have not properly invested in our rail system, and in the highway systems that interface with the railroads — specifically the grade crossings, and grade separations — has helped create the safety problems we've had. Some people have said that deregulation may have put too many cost pressures on railroads, and they haven't made the investments. I know there was a concern over CSX and the Northeast Corridor runs several years ago on that issue.

What we're going to need to do, is build a large number of grade separations, which is going to require lots of steel and concrete, and keep lots of people employed; along with the fact, we need to double-track and triple-track the railroads, and electrify them.

I think the conference in Alaska next week is going to be very important, in terms of what has to happen in the redevelopment of our North American rail system. The fact that there is now a bill in Congress for \$71 billion to upgrade freight and passenger railroads, is certainly a good start. But there has to be a real push from the Federal government to do that.

I also think that we need to have some organization, other than the present management of Amtrak, running things. We need to take a completely growth-oriented national focus, rather than a strictly Northeast Corridor status-quo focus. I think that there's going to be lots and lots of additional investment.

I also think, that we are probably seeing a period now, where we are not ever going to see airline travel as dominant as it has been in the past. And we also are going to need to find some way of getting trucks put on trains.

Ultimately, we are going to need a magnetic levitation system network across this country, in conjunction with the railroads, as a replacement for at least some of the airlines service that we have in this country today. Because it doesn't have to use oil, and we can use energy resources, including nuclear and coal, that we already have in this country.

EIR: If you are phasing in these routes, what is the principle governing this?

Cooper: I think the smartest thing that can be done with magnetic levitation, is to build on these projects that were already proposed in the recent solicitation by the Federal Rail-

road Administration, where they were proposing projects that would go from downtowns to airports. There's one in the Washington, D.C. area — Washington to Baltimore — one in Pittsburgh, that I understand were recommended for funding; but those need to go ahead, as well as other ones, in Southern California, and in Atlanta, and so forth — that would be very good.

In some respects, these are going to replace the need for expanding airports; that's becoming increasingly difficult to do. Of course, here in Seattle, they're going ahead with expanding their airport, with the very likely possibility that there's not going to be the traffic there in the future. We need to be thinking in different ways than we have in the past.

EIR: So you say, just get along with the job. Get some experience, and then build the other lines.

Cooper: Exactly. Because then it will just build on itself. I see it, for long-distance travel across the country, as complementing, as a replacement for at least some of the airlines service we have today.

EIR: So it would be an inter-mix, at the beginning, of upgraded, pre-existing rail, and then, the introduction of maglev.

Cooper: Exactly. I don't see maglev replacing the present rail. I see it complementing it.

Russia Will Build Rail Link To Sakhalin Island

by Rachel Douglas

The Russian government's weekly meeting of Oct. 4 was devoted to key economic projects in the far western and eastern reaches of the Russian Federation: the development of Kaliningrad (formerly Königsberg) on the Baltic Sea; and the construction of the rail bridge from the Eurasian continent to Sakhalin Island in the Pacific Ocean. At a press conference after the cabinet session, Minister of Economic Development and Trade German Gref, and Railways Minister Nikolai Aksyonenko announced Russia's commitment to push ahead with the connection to Sakhalin, which is an eastwards extension of Eurasia's first land-bridge, the Trans-Siberian Railroad (TSR).

Gref called these projects "geostrategic and geopolitical in their implications." He reported that a feasibility study, undertaken earlier this year, had determined that a Mainland-Sakhalin rail bridge is preferable to a tunnel. Gref placed much emphasis on negotiating the participation of Japan in further development of Sakhalin infrastructure, asserting that the \$3-4 billion, 5.8 kilometer-long Mainland-Sakhalin bridge project will break even, only if Sakhalin is subse-

quently linked by tunnel to Hokkaido Island in Japan. As illustrated in *EIR's* 1997 *Special Report*, "The Eurasian Land-Bridge: The "New Silk Road"—Locomotive For Worldwide Economic Development (see **Figure 1**, p. 8), the Mainland-Sakhalin link and another proposed tunnel, from the southern tip of Sakhalin Island to Hokkaido, would mean a revolution in trade and development in the entire Pacific Region.

With rail lines running from Hokkaido through Sakhalin to the Trans-Siberian Railroad, freight from Japan could be sent to Europe along that route. A similar case exists for cargoes from the Korean port of Pusan, if a modernized Trans-Korean Railroad is also hooked up to the TSR, as is under negotiation. This option was also discussed at the Gref-Aksyonenko press conference, but it is being handled as a separate project.

Looking only at the aspect of freight haulage, Gref said that the bridge would have to carry 10-12 million tons of freight each year, in order to be profitable. Sakhalin-to-Mainland haulage peaked at 7.8 million tons in 1990, and is currently about 2 million tons per annum. Tying in Japan would enhance "the possibilities of using the Trans-Siberian Railroad in the Eurasian transportation corridor."

Pressed on whether the Mainland-Sakhalin link would go ahead, with or without Japanese participation, Gref said, "This is a geostrategic project for Russia and it is important, in any case, for the social and economic development of Sakhalin and the region as a whole. It will certainly have a very positive impact on economic development in the entire region." But, he claimed that there would be a "return on investment in the near future, only if Japan joins the project." Aksyonenko, arriving later at the press conference, said that the go-ahead could not depend on Japan; that he had "no doubts" about the project, but "if Japan is going to make decisions for us, then I do have doubts."

'A Strategic Project'

Aksyonenko said that private investment in the bridge was not excluded, but that the project "was not specifically considered for financing by private investors. This is an infrastructure project. By its recoument modalities, it cannot look attractive for private investors." At the same time, on the extension of the railroad to Hokkaido, he said that "preliminary talks took place and heightened interest was expressed by Japanese transnationals like Mitsui, Sumitomo, and others." As for Russia, "We are talking about starting a project involving the continent and Sakhalin Island, and then we [shall] look and see. If we look ahead longer than five years, this is a very important strategic project in conditions of a globalized economy. It is a transport corridor that will link up with Europe. So, it would simply be unforgivable not to take advantage of Russia's geographical position, and to deprive industry of utilizing its potential and taking advantage of the services of Russian, not foreign, transportation."

Otherwise, as China goes ahead with the Silk Road, the more southerly, new Eurasian Land-Bridge, Aksyonenko said

that Russia might "be late, as usual" and miss out on the benefits of building the Eurasian transport corridors.

Aksyonenko was asked, "Who first got the idea" of the Sakhalin bridge link—"perhaps you, personally?" He replied, "I cannot claim credit for what doesn't belong to me. I think it occurred to some smart people. . . . A decision on Sakhalin was made once before, in the early 1950s. It was prompted by the geopolitical interests of Russia. And today, in addition to geopolitics, we also see economics. We see the burgeoning Asia-Pacific region, we see the 6 million containers that travel from Europe to Asia and we see that Russia is left out of it, in terms of transportation."

No Hobbesian Choice

The potential rail links from Korea and Japan to the TSR are hotly debated in Russia. Some political leaders in the Russian Far East protest that to court such cargo flows means to condemn Russia's own deteriorating Pacific ports, like Vladivostok, to oblivion. Others, however, including some smart people at the Academy of Sciences, are pushing a concept of development for the entire region in tandem with the transport corridors.

Interviewed on Sept. 11 by the Internet news service *Strana.ru*, the deputy director of the Academy's Institute of the Far East, Vasily Mikheyev, spoke in favor of the creation of a development bank for Northeast Asia, with participation from Japan, South Korea, China, Russia, and the United States, which "by issuing long-term bonds, would accumulate financial resources and funnel them toward developing infrastructure projects"—bilateral ones such as Russia-China pipelines, but also for a more general upgrading of the whole region's economy.

Asked what has happened with the projects for a Berlin-to-Moscow highway, and a high-speed rail line from Moscow to St. Petersburg, Gref replied that "these projects cannot be scrapped. These projects are relevant and they will be implemented. The question is when."

It was also striking that Gref, who usually has espoused neo-liberal notions, stated that the economic decay and budget crisis in Kaliningrad was due to "a lack of investment in infrastructure," resulting chiefly from application of the Free Economic Zone Law! In the 1990s, the liberal reformers supposed that Kaliningrad would become a Hong Kong of the Baltic, as a free trade zone.

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Britain's Privatized Railtrack Goes Bankrupt

by Alan Clayton

While Tony Blair thrashed around the world with Rule Britannia rhetoric hardly seen since Great Britain's 19th-Century heyday, the island's rail infrastructure was collapsing. While he promised to send troops throughout the world in Great Britain's new crusade, it was far from being entirely clear whether there would actually be trains to take soldiers from their barracks to ports and airports. The reason was, of course, the dramatic collapse of the privatized company Railtrack, a collapse which has been imminent for over a year.

In the absence of a bin Laden look-alike, the collapse was blamed on the £5 billion cost of upgrading the London-to-Glasgow rail line, a main economic artery of the island, and one which would certainly be vital if the island were to be integrated into Lyndon LaRouche's Eurasian Land-Bridge proposal, or any similar international economic initiative.

Railtrack's bankruptcy is Britain's biggest business failure since Barings Bank six years ago. A High Court judge agreed to place the company in administration after the government refused to bail out Railtrack any further. With debts of more than £3 billion and no hope of raising the cash itself, Railtrack was unable to continue operations. The bill for upgrading the west coast line was claimed to be the final straw, coming on top of the cost of track repairs demanded after the Hatfield wreck last year.

Small investor shareholders and company pension funds, are likely to be big losers. The company slipped out of the Financial Times-100 index as the share price slumped from a high of £17 to just £2.80, £1 lower than when the company floated in 1994.

Greeted With Relief

Railtrack had been dogged by misfortune, including a series of rail disasters, since privatization. Lord Cullen's inquiry into the 1999 Paddington disaster, in which 31 people died, heavily criticized its record in maintaining safety, and recommended it be stripped of this role. It came under fire again last year for the disruption caused by urgent rail repairs required after the fatal crash at Hatfield, leading to the departure of former chief Gerald Corbett.

Farewell then, Railtrack. Nothing in the five-year life of Britain's biggest privately owned monopoly became it as

much as the leaving of it. The announcement that the railways are to return to public stewardship was greeted with relief by at least two audiences. The first will be those passengers who have endured the worst peacetime disruption of the railways in history. The second audience will be all those delighted to see the first example of the public being put back into public-private partnerships. Hitherto, this has been a one-way street in the other direction, with more and more private capital being given a free hand to exploit public services.

Even the rail unions, which had warned against the industry's fragmentation in the first place, and have long campaigned to take back the track, were scarcely expecting what amounts to a return to public ownership without compensation.

There will be no tears for Railtrack's major shareholders. They were feasting at the trough as the network collapsed and the company teetered towards bankruptcy. The Railtrack board's solicitous concern for shareholders, while all around disintegrated, invoked huge public hostility. The week after the Hatfield disaster, which was caused entirely by the state of rails owned by Railtrack, the board jacked up dividend payments to shareholders. This Summer, it paid out a further £150 million on the day it received a £1.5 billion subsidy from the taxpayer. Lubricating the City of London interest with public cash was the last despairing attempt to keep the profit-led, market-driven structure of the railways, as created by Margaret Thatcher and John Major, in business.

While Railtrack may have deserved to be cast as the main villain in the British railway tragedy, the 100 train-operating companies, often running unreliable and overcrowded services in dirty rolling stock, should not be overlooked.

One option being canvassed, is to restore them to the new public railway as and when their franchises expire. However, swifter action may be necessary if the government wants to go into the next election with a real improvement in the railways to show for its money. The Railtrack bankruptcy may also give ministers the excuse they need to re-think the wildly unpopular privatization arrangements planned for the London Underground, where it is intended to pour public money into private pockets through a scheme that reproduces the fragmentation of the main line network.

Railtrack's return to public control may come to be seen as a landmark in more than just railway history. Over the last 20 years, privatization has become almost unchallengeable dogma. Now, for the first time in Britain (in parallel with similar shifts elsewhere in the world, in part due to the remorseless logic of the arguments of Lyndon LaRouche), it was put into reverse. The problems of the private railways, while extreme, are not unique, and the behavior of other privatized industries now deserves greater scrutiny. A tide may have turned. Let's not be afraid to say it yet again. LaRouche really was right.

Argentina: Zero Deficit Is Genocide

by Gerardo Terán and Gonzalo Huertas

A desperate Argentine President Fernando de la Rúa held an emergency meeting with an equally desperate Brazilian President Fernando Henrique Cardoso, on Oct. 8 in Brasilia. Brazil is the Third World's largest debtor, with about \$500 billion in foreign obligations; Argentina is the largest bond issuer, with more than \$200 in foreign debt. All the two desperate men could come up with, was the decision to "unite," to hold hands, and make one last effort to beg President George Bush to provide yet another cash infusion to ward off their impending bankruptcies.

It won't work. A giant blowout of both economies is imminent.

Argentina is visibly disintegrating before the eyes of the world, widely expected to default on its debt at any moment, as it heads into crucial Congressional elections on Oct. 14. On Oct. 9, the rating agency Standard & Poor's downgraded the country's credit rating to CCC+, saying that the economy shows "no signs of stabilizing." De la Rúa and Economics Minister Domingo Cavallo have stubbornly reiterated that they will stick to their "zero-deficit" policy, even though it has set off a downward spiral which is now plunging the country into the abyss. Their budget cutbacks of a few months ago lawfully produced a 14% contraction in tax revenues in September, to which they have responded with a further cut of 25% in government spending.

Brazil Is Close Behind

Brazil is poised to follow Argentina down the road to economic chaos. Its currency, the real, which has already declined 30% in value this year, continues to depreciate daily, despite Central Bank interventions. The government has responded to this with suicidal measures by issuing dollar-denominated debt, which now constitutes 30% of its overall debt. This is the same insane policy which sank Mexico prior to the 1994 peso devaluation.

Contrary to what Cavallo promised, the so-called zero-deficit program imposed on Argentina in early August by the International Monetary Fund (IMF), is not going to get the country out of a three-year depression. What is in fact happening with the zero-deficit plan, is that the disintegration of the Argentine economy is spiralling out of control, sending the nation into generalized chaos. The economic "adjustments" being enforced under this brutal program are leading Argentina along the path toward African levels of genocidal pov-

erty. Minister Cavallo prefers to call this fate AFTA, or the American Free Trade Agreement.

Leaving no doubt that "Africanization" is, in fact, the real intent of the international usurers behind zero deficit, Morgan Stanley's chief of strategy on sovereign debt, Jaime Valdivia, recently said that the Argentine government will have to resort to "permanent adjustments" in order to comply with zero deficit. He added, "It is unlikely that society is going to put up with it. That is something we've been saying for months, since the zero deficit was announced; that the recession is going to worsen the collapse in income, and that complying with zero deficit is going to mean embarking on an endless spiral of adjustment of expenditures."

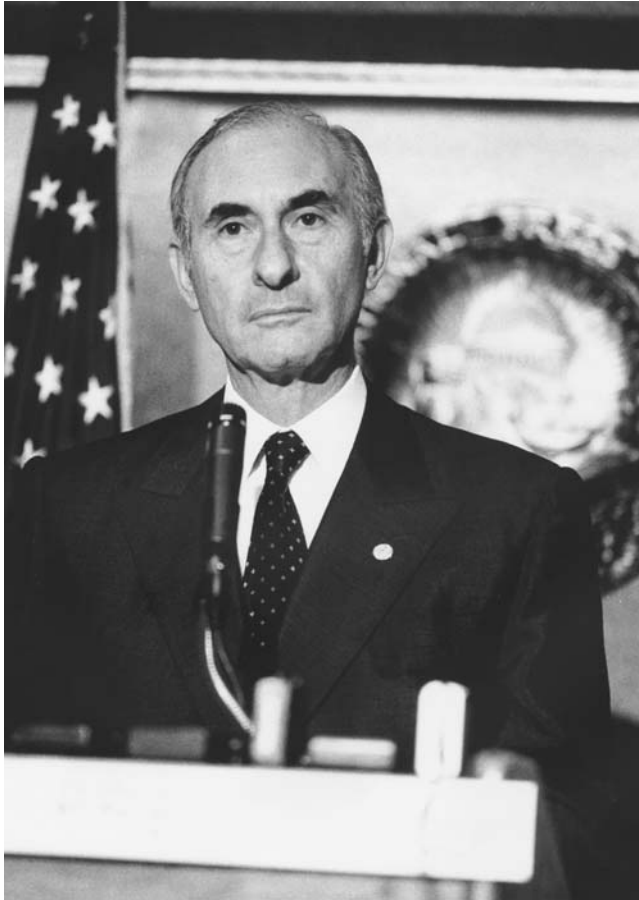
Killing The Elderly And Their Families

The first thing Cavallo did under the genocidal zero-deficit plan was to toss the weakest sector of society onto the scrapheap, that is, the retirees. According to economist Daniel Muchnik, in his column in the daily *Clarín*, in order "to have a zero deficit by September, [Cavallo] decided to put off until October the payment of a part of the pensions and other labor payments that were supposed to be paid immediately. That is 250 million pesos. We are talking about benefits that, since last July, have been cut by 13%. This means that, right now, one sector of retirees is collecting 13% less, and this more than a month later than they were supposed to have received their benefits."

At the same time, Cavallo decided not to disburse \$330 million to the provinces, equalling 26% of the resources that the national government is obligated by law to transfer during September. As a result of this illegal cutback, the provincial governments have been unable to pay 80% of their salaries. In the majority of the provinces, payment of state salaries represents more than 60% of the population's income.

Another sector seriously affected by zero deficit is education. The nation's teachers are already owed two months in promised bonuses from the first half of the year. In statements to the press, the general secretary of the Confederation of Education Workers of the Argentine Republic, Marta Maffei, charged that the situation of the education sector has become quite grave, and offered the following examples from the provinces: In Jujuy, teachers have been on indefinite strike, because "they haven't collected salaries for three months"; in Entre Ríos, "the government shut down the schools for lack of payment"; and in San Juan, there are teachers "who have not received their pay for a year."

Equally disastrous is the R&D sector of the economy. On Oct. 3, a report by DyN news agency revealed that national congressmen from the Justicialista Party declared the Argentine scientific community to be in a state of "emergency," the result of "a process of growing dis-investment" in science and technology. The congressmen warned that, next year, the De la Rúa government intends to slash the budget of the National Commission of Atomic Energy by \$20 million.



Argentina's President Fernando de la Rúa is watching his country's economy vaporize.

Less Income Means Less Consumption

The result of these inhuman zero-deficit cutbacks is an accelerated collapse in consumption, to levels not seen for a decade. A report by the Coordinator of Business Activities, dated Oct. 8, reveals that September sales fell 20-50%, compared to the same period last year. Real estate sales fell 55%; toys, 25%; construction materials, 30%; restaurants, 40%; malls, 19.3%; and supermarkets, 10.1%. This, despite the fact that there has been a reduction in consumer prices, precisely to try to avoid a still greater fall in sales. A recent poll by the Argentine Chamber of Commerce reveals that "73% of merchants consulted say they are in worse shape than a year ago," according to *Clarín*.

One of the worst-affected sectors, and also the one most responsible for directly and indirectly generating industrial employment, is the automotive industry. According to the Association of Car Dealerships, car registrations for September fell by 48.3%, compared to the same month last year. Similarly, the Association of Automotive Manufacturers reports that car production in September collapsed by 46.5%. Ever since the local recession began to intensify in 1999, the Argentine automotive sector has put nearly 56% of its

workforce out on the street, according to figures put out by the Mechanics Union of Córdoba province. In 1999, the automotive sector employed some 11,000 workers. Today, it employs 4,899.

To this fall in consumption, as reflected in sales declines and job losses, must be added the decline in the quality of consumption. In a country where beef is a dietary staple, a butcher from Olivos, in Buenos Aires province, told *Clarín*: "Before, for example, the person who bought a kilo of sirloin steak for \$9, today buys flank steak for \$4.90." The Association of Butchers in the Federal Capital (APC) reports that five years ago, an individual, on average, would spend \$10 in a butcher shop, but today, it is rare for someone to spend more than \$3.

Then there are the bankruptcies. On Oct. 2, the credit risk firm Experian reported that during September there was an 8% increase in corporate filings for bankruptcy protection, compared to August. The most striking cases were those of the privatized Argentine Postal Service (\$763 million), Perkins (\$41 million), and Musimundo (\$215 million). The study says that consumer credit defaults in September rose by 18% over the same month last year.

As might be expected, tax revenues have fallen to their lowest level in years. On Oct. 1, Cavallo admitted that tax revenues in September fell by 14% (in July, they fell 8.7% and in August 3.4%), compared to September 2000. Revenues from the value-added tax, that is, the tax on consumption, fell by 32%, social security taxes fell 22%, and taxes on personal assets fell 70%.

That same day, after releasing the figures on tax revenues, Cavallo insisted—despite the evidence to the contrary—on continuing his economic policy, cynically declaring: "Persevere and you will triumph. That is the slogan. We are not going to let down our guard. We are going to persevere because when there is no alternative, one must persevere and not weaken." He added, without the slightest expression of concern, that during the fourth quarter of 2001, the government will impose additional budget cutbacks of \$900 million, meaning further slashing of goods and services. As José de Mendiguren, president of the Argentine Industrial Union, called to mind among the harshest images of African economic and social collapse and mass death in an Oct. 2 interview with *Página 12*, "Today, the government does not have a sustainable plan, either economic or social. And if we don't come up with a plan [for economic recovery], we are going to become Biafra."

A recent study by the consulting firm Equis, headed by Artemio López, based on data from the National Institute of Statistics, indicates that 14% of the population (5.2 million Argentines) do not even meet their daily caloric needs (2,500 to 3,000 calories); between October 2000 and May 2001, the "indigent" sector of the population (that is, the poorest of the poor) rose from 10.2% to 14.4% of the total population, meaning that during that period, 8,040 Argentines became

classified as indigent per day, and that 47% of these are under 18 years of age. In 1997, 8.3% of the population were classified as indigent.

Another study, by the Institute to Develop Quality in Education, mentions that 25% of Argentina's students belong to "vulnerable sectors" of the population, live in homes with more than three people per room, in "homes without bathrooms," and have at least one sibling between the ages of 7 and 17 who is illiterate.

Observatorio Social, an agency sponsored by UNESCO and the System of Information, Monitoring, and Evaluation of Social Programs for the Social Development Ministry, explains in a recent study that "the more time spent in poverty or indigency, the more prolonged the effects. In the case of minors, this is especially serious, given that the consequences of malnutrition irreversibly affect intellectual development."

Toward A United Front

On Sept. 26, Coninagro, the Inter-Cooperative Agricultural Federation, one of the country's four most important agrarian associations, issued a call that specifically alluded to the U.S. response to the Sept. 11 terrorist attacks: "We are also on the receiving end of a brutal 'genocidal process,' which is leading us toward disappearance as a sovereign nation. The weapons used are different—in this case, the cruel international financial speculative apparatus—which, significantly, also seems unstoppable. But the results of both kinds of attack, the 'sudden blow' or the prolonged process, are equally deadly. The first claimed thousands of victims in one place, while the second destroys millions in broad areas of the planet. Both forms of violence are distinguished by high levels of irrationality and fanaticism, fed by ideological-religious causes in the one, and by materialist lust for power and money, in the other.

"A decade has passed, and the slide of systemic decadence has taken increasing hold of our social being. As with the Americans, we must recapture our sense of nationhood."

"It is clear that the model dubbed 'convertibility,' imposed as an emergency measure, is now leading to the definitive disintegration of the cohesion and interaction of different sectors of economic life, endangering:

"1. The existence of new generations, under conditions of 'minimal successful survival' which historically characterized the Argentine middle class.

"2. The 'survival of the current population,' which has reached levels of virtual genocide for the elderly and children, and deculturization of the adult productive population.

"This model has been backed by the political parties that held, and now hold, the power. Actively involved in this are also the economists, especially those who have acted in the public domain, because with the implementation of their policies, they have succeeded in destroying the productive capacity of Argentines."

The document concludes by calling for the formation of

LaRouche Prepares Policy Paper For Brazil Meet

The following statement was released by EIR on Oct. 5, and posted on the larouchepub.com web site. Those seeking more information are directed to call Gretchen Small, (703) 777-9451, ext. 272.

Lyndon H. LaRouche announced on Oct. 5, that he will unfortunately not be able to travel to Brazil in late October, to participate in an international conference organized by the Brazilian Congress on the subject of "Brazil And The Free Trade Agreement Of The Americas." Mr. LaRouche had originally been invited by Deputy Aecio Neves, the president of the Brazilian House of Representatives, to participate in that conference as a commentator in the session on agriculture. But, due to security problems related to the planned visit, Mr. LaRouche will be unable to attend the conference.

LaRouche, the founder of *Executive Intelligence Review* and a registered Democratic Presidential pre-candidate for the 2004 U.S. elections, announced that he will complete a report on "Agriculture And The Global Crisis" that he had conceived for use at that conference, and will make it available to Brazilians and others discussing the policies to be adopted in the face of the crisis.

a united front in the following terms:

"Coninagro, aware of the dimensions of the crisis that is facing the entire world, as it has been warning for several years, and assuming the responsibility that circumstances demand, has made the decision:

"1. To form a common front with other entities and sectors which defend national thinking and the interests of production.

"2. To put together a team of specialists linked to the production of wealth, to present an alternative model that will define, among other things, the following direction:

"a. Reestablish national monetary and credit sovereignty.

"b. Establish the mechanisms for negotiation of the foreign and domestic debt, backed by the labor and wealth of nations and not by financial speculation.

"c. Return to a taxation system that stimulates production.

"d. Reestablish the national sale of our own wealth, controlling the participation of hypermarkets regarding the imposition of prices, and avoiding the mass import of merchandise.

"e. Have the political nation return to its moral grounding."

Indian Government Struggles To Revive The Sagging Economy

by Ramtanu Maitra

After a year and a half of raised expectations of a higher growth rate, the Vajpayee government in India has finally landed on the hard ground. The Indian economy is in deep trouble, and now, New Delhi admits that the systemic maladies are getting worse.

Early in September, Prime Minister Atal Behari Vajpayee admitted openly that his government has failed in dealing with long-pending problems, such as entrenched poverty and disparity of growth. At a high-powered meeting attended by relevant ministries, Vajpayee proposed strategies to overcome the slow-growth syndrome and tackle the basic maladies that continue to haunt the Indian economy. He emphasized, among other proposals, mobilization of additional resources for investment in various development projects through budgetary and non-budgetary sources; utilization of surplus funds with banks and financial institutions to be channeled into productive public spending; modernization of railroads along with national highway development, and innovative use of surplus land to generate investment and house the poor.

Briefing press after the meeting, Finance Minister Yashwant Sinha said the focus of the meeting was to kick-start the economy with an envisaged spending of 750 billion rupees, targeting the rural economy and the infrastructure sectors.

Reality Is Worse

Despite the Prime Minister's suggestions and the Finance Minister's announcement, there is little reason for enthusiasm. Although the Indian economy's growth for the year ending this past March was announced at 5.2%, there is no end to negative news flowing in from all quarters. While the growth rates in industrial production and exports had both plummeted, New Delhi insisted on projecting 7%, and then 6.1% growth as late as in February. A growth of 5.2% of GDP—which translates to a 3.5% growth in per-capita terms—is an extremely disappointing performance and is a rapid deceleration from the 6.5% recorded in the preceding two years. More importantly, there is absolutely no reason why the slowdown was allowed.

If last fiscal year's performance was bad, this fiscal year's

(April 2001-March 2002) performance is heading toward a disaster. Performance in crude oil, coal, and cement sectors dragged the infrastructure growth to 1.2% in July, compared to a poor 6.1% recorded in the corresponding period last year.

The combined growth of six infrastructure or closely related industries—petroleum refinery products, crude oil, coal, electricity, cement, and finished steel—fell to a dismal 1% in the first four months of the current fiscal year. According to the government's infrastructure data released in late August, electricity was the only sector which showed incremental growth in July, with generation of 42,016 million units as compared to 40,308 million units in the same month last year. Coal production, at 21.9 million tons, recorded a negative growth rate of 0.9%.

The Vajpayee government, when it assumed power in 1999, promised an acceleration of India's annual GDP growth rate in order to alleviate poverty and strengthen the country. During the almost two years that it has been in power, it has brought down the growth rate significantly and did little to alleviate the massive poverty that haunts India.

New Delhi's failure has two sources. First, the administration fully believes that free-market liberal economic reforms—privatization, globalization of trade, paring down of tariffs, meddling with labor laws, etc.—will bring in unprecedented prosperity and growth. Second, the administration's reasoning is paralyzed by the “magic” of foreign direct investment (FDI) and illusions about the growth of the software industry—which have been devastated by the collapse of the information technology economy worldwide.

Chasing Illusions About China

From the early '90s the mantra in India had been the magic of FDI. FDI worked wonders in China, the pundits said, and would be the salvation of the Indian poor. They said the foreign investors will come in with sacks full of hard currencies and help India to build capital-intensive infrastructure. As a result, the task of building power plants; renovation and modernization of railways and ports; building highways; and communications, were left to the “good Samaritans,” who never came. New Delhi said that its role would be to facilitate

their investments, which means changing the existing Indian laws, and bylaws, so that the investors' profit demands were met and their investments become fully safe.

But India has a basic industrial sector—some consider it small for the size of the country, but it is still much larger than most countries in the world have. This reality did not allow foreign investors to come in with the most absurd terms. Opposition came from both the people and the indigenous manufacturers.

In the state of Maharashtra, Enron Corp. from the United States came in in the early '90s with a plan to build, in two phases, a \$5 billion power plant. It procured from the state government terms and conditions which were so absurd, they made people wonder. Those terms and conditions hastened the bankruptcy of the Maharashtra State Electricity Board and are endangering the financial health of the state of Maharashtra itself. It is evident that New Delhi will have to cough up the money from its revenue earnings to whet Enron's appetite and get this white elephant off its back. It is not yet clear who is going to purchase the high-priced electricity sold by Enron. It is nonetheless a tragedy that in a country short of electricity, the only electricity available is the kind that no one can afford.

As for the software illusion, the financial bubble around the world that boosted the information technology sector in the United States in the late 1990s and the year 2000, had to collapse. But as late as the latter part of 2000, Finance Minister Sinha, flanked by his analysts, was still forecasting burgeoning earnings from the export of Indian software to the rest of the world. The United States buys 60% of India's software exports. India's software and IT services exports in the first quarter of 2001-2002 was about Rs. 86 billion (\$1.79 billion). New Delhi has been forecasting that software exports would grow at a rate of 40% in 2001-2002 to \$8.3 billion annually. Now, New Delhi would do well to pare that number down by half and finally bid adieu to this fantasy.

More Trouble Ahead

One Indian economist recently pointed out that "it is difficult to recall when in the past decade there was a thicker pall of gloom enveloping the [Indian] economy than today." While rampant inflation and a scarcity of foreign exchange are not the worries of the powers-that-be, the real economy is steadily declining.

What must not be underestimated is the grip of "free market" economists over the Vajpayee government. Non-intervention by government, even when the economy is sliding into stagnation and the process of employment generation has virtually come to a halt, still remains their advice to the administration. According to some of these economists, a good monsoon, the kind that India experienced this year, will automatically lift its industrial demand. This will allegedly happen through increased agricultural production and enhanced rural demand.

Fortunately, this convoluted concept has been shot down recently by the country's premier economic research institution, the National Council for Applied Economic Research (NCAER). NCAER concedes that agricultural growth is important in raising incomes for the rural population, but it may not be sufficient to raise significantly the growth rate of overall demand for non-agricultural output. According to NCAER's line of reasoning, the share of agriculture and allied sectors is now 24%. Therefore, an increase in agricultural output by 1% raises the GDP by 0.24%. Even a 5% growth in the agricultural output—not an easy goal to achieve—is not going to alleviate the non-agricultural sectors' problems.

India's large, and yet weak, small-business sector has been badly hit by cheap imports and dumping from outside. Among some of the small-scale sector entrepreneurs, a state of panic reigns. If the problems that ail the small-scale sector are not addressed quickly and effectively, their impact on unemployment could be frightful. At this moment, there are approximately 45 million workers in the manufacturing sector (excluding handlooms and handicrafts), of which 37 million are in the unorganized sector. Approximately, 28% of them are in the textiles industry and another 11% are in engineering. In the worst-case scenario, one economist recently pointed out, there exists the possibility of losing up to 10 million jobs in these two sectors alone. But these are not the only industries that will be affected, including by the flood of cheap imports coming into India.

Producers in chemical products, rubber goods, and plastics are being hit as well. Many more jobs will be lost in these sectors too. The estimate of 10-11 million jobs given above relates only to direct employment. In addition, a number of indirect jobs generated by these sectors will be also lost. In the textiles industry, for instance, the total number of direct and indirect jobs is around 93 million. Some economists believe that as many as one-tenth of these jobs could be lost.

Finally, the poorest performance of the Vajpayee government has been in employment generation. It has been reported, "Against the growth rate of job seekers of 2.3% per annum, the rate of job creation has dropped from 2.1% in the 1980s to a mere 0.8% in the 1990s. So far as the private sector is concerned, while jobs grew at an unprecedented rate of 3.1% per annum in the brief period from 1994-1997, the rate of job growth has fallen to a miserable 0.11% in 2000-2001. Since the public sector is now effectively bankrupt, and is creating no more jobs, it is hardly surprising that the [total] rate of job creation in the last three years has been below 0.5% per annum."

The scene is indeed bleak, and New Delhi has let itself be drawn into the quagmire. This prevented it from intervening with any amount of vision and imagination into the economic arena. While the war drums are being beaten in the region in the midst of a worldwide economic crack, New Delhi must not delay in implementing what the Prime Minister suggested as a way to make the Indian economy healthy again.

New Monetary System Needed, Says UNCTAD

by Hartmut Cramer

The United Nations Conference on Trade and Development (UNCTAD) dedicated an entire day (Oct. 2) during its yearly board meeting in Geneva, Switzerland, to discuss the need to reform the “international financial architecture.” This particular discussion will not stop the ongoing systemic global financial crisis, let alone bring about the much-needed New Bretton Woods system. But within the framework of the UN, it is highly significant nevertheless, coming right at the time when the world’s leading governments, especially those in Washington and London, don’t want to face the financial crisis, and would rather focus on “the war.”

Sensing the immense danger which the preoccupation with this sort of “solution” poses, UNCTAD Secretary General Rubens Ricupero, who had served his country, Brazil, during recent decades in several high-level government positions, passionately declared during the deliberations on Oct. 2: “If we don’t give a clear message, and issue a call for a new international financial architecture *now*, the danger is very high, that the priority of this crucial issue *decreases*” in the wake of the recent terrorist attacks on New York and Washington. “Instead, the priority of this issue has now to *increase*,” Ricupero told the delegates of UNCTAD’s 191 member-states.

Making clear that it didn’t buy the lie of the “bin Laden recession,” the UNCTAD Secretariat on Oct. 1 published *Global Economic Trends and Prospects*, which stressed what UNCTAD had already stated, in its *Trade And Development Report, 2001* issued last April, that “the world economy experienced a sharp downturn over the last quarter of 2000 and into the new year.” Arguing that this downturn in the world economy was mainly caused by a “slowdown in the United States,” it had also warned that “rather than a rapid rebound, the United States economy could experience a prolonged period of sluggish growth, which even quick conventional policy actions might be unable to remedy.” To quote an UNCTAD press release, issued on Oct. 2: “The report warned, that ‘business as usual’ was the wrong mantra for policymakers anywhere; it would be dangerously so now.”

It therefore came as no surprise, that the update from the UNCTAD Secretariat stressed: “Already on the eve of events of Sept. 11, global economic conditions had been deteriorating over a year. The decline in the pace of demand in the first

half of 2001 had been sharper than expected, and for the first time since the late 1970s, much of the world economy was simultaneously experiencing slower growth.” Though UNCTAD’s call for “debt write-offs and deferral of payments on official debt of affected developing countries” is useful, the steps which UNCTAD proposes in this report are insufficient, to say the least, to overcome the global crisis—a crisis which is *systemic* in its nature, not cyclical, as UNCTAD suggests. UNCTAD’s strong support for Federal Reserve Board Chairman Alan Greenspan’s interest-rate cuts, and its explicit call that this “monetary expansionism” should be carried out “everywhere, and not just in the United States,” could not be more wrong.

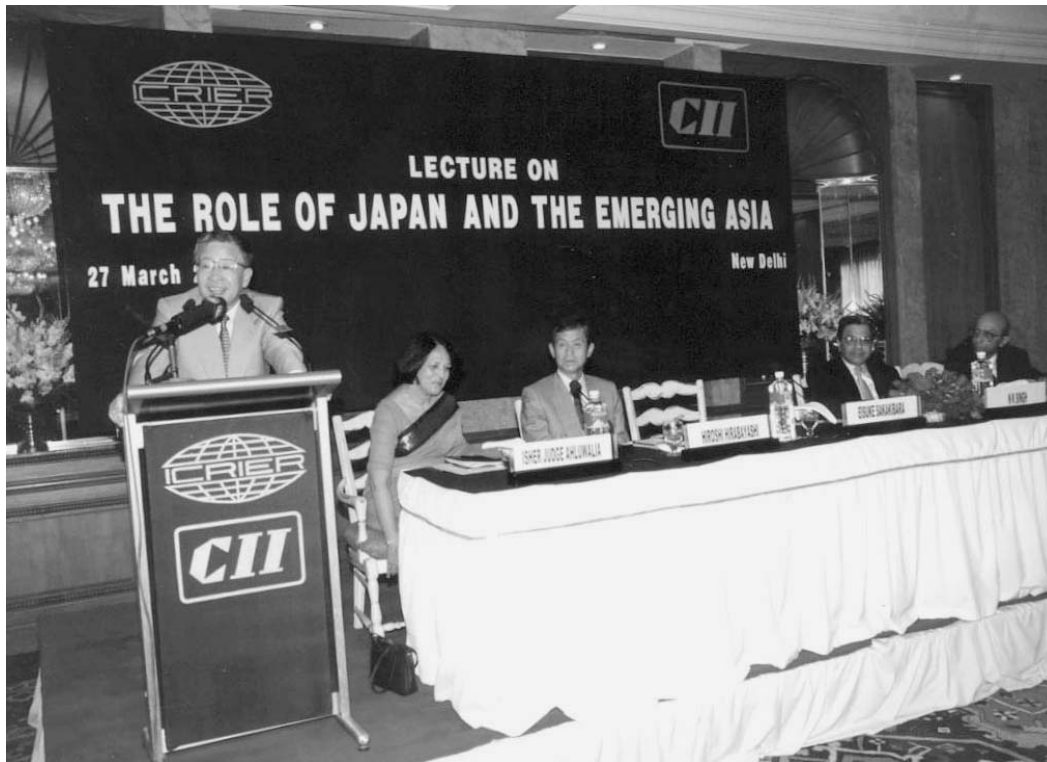
Sakakibara: ‘We Are In A Global Recession!’

The Oct. 2 discussions on “Financial Stability: Reform Of The International Financial Architecture And The Role Of Regional Cooperation,” were open to the press, and were enriched by international experts, who, as they stressed, are not currently holding government positions, and therefore could speak “more freely.” The most prominent, and outspoken, among them was Eisuke Sakakibara, Japan’s former Vice Minister for Finance and International Affairs.

Sakakibara, known as “Mr. Yen,” described the global situation in dramatic words: “We are in the gravest crisis since World War II. . . . This is a real turning point, a paradigm shift, which occurs only once or twice in a century.” Calling the financial-economic crisis “worse than that of 1998”—at which time a “global financial meltdown” was imminent, as months later even International Monetary Fund (IMF) officials admitted—Sakakibara said that a reform of the global system is necessary. What he then outlined, followed more or less the views of his other colleagues: That “we are in a global recession,” which was already clear *before* Sept. 11, and that the terror attacks “only exacerbated it.” Sakakibara said, “The best solution to this global crisis would be a new international financial architecture, but since this is not possible, we have to go to the second-best solution, regional cooperation.”

Since this emerged as the “consensus” among the experts, the debate, rather than focussing on the *real* question of what “new international financial architecture”—presently the only “politically correct” expression for a New Bretton Woods, turned to the limited question of regional cooperation, and other rather defensive measures, including “market regulation” and “dirty floating” (i.e., floating according to rates set by governments, as opposed to “free,” or “pure” floating), with the “extreme Malaysian example” of capital controls only mentioned once.

Despite these shortcomings, the discussion showed that certain lessons on the economy have been learned—the hard way. China’s Yu Yongding, in his speech on Asian Monetary Cooperation, stated that “Asian countries’ desire for establishing a regional financial architecture is a natural response



Dr. Eisuke Sakakibara (at podium), Japan's former Vice Minister for Finance and International Affairs, at a conference in March 2000.

to the disappointing performance of the IMF before, during, and after the Asian financial crisis.”

Similarly, a Brazilian delegate—whose father, during the 1970s, had been on top of the German-Brazilian nuclear energy deal—told the government delegates, “One thing I *can* tell you; what you should *not* do, under no circumstances: Don’t go the way of Argentina,” in respect to monetarist so-called stabilization programs such as the currency board in Argentina, or outright dollarization, as in Ecuador. The de facto bankruptcy of neighboring Argentina has made people in the Brazilian elite sleepless. One can only hope, that the so-called elite in the industrialized nations will as swiftly respond to the “hard lessons” being taught them right now, and change the global monetary system *in time*.

Ricupero: ‘New Financial Architecture Is Needed Now!’

This direction of the way out of the crisis was forcefully pointed to by UNCTAD Secretary General Ricupero. He strongly called on the delegates, i.e., their governments, to “issue a call for a new international financial architecture now,” in order not to lose the momentum. Pointing to the UN conference on “Financing For Development,” scheduled for next March in Mexico, Ricupero said that, without changing the monetary system, “there is nothing we have to discuss.” Since all usual means such as “trade, FDI [foreign direct investment], and ODA [official development assistance] have been tried, and were not successful,” the only chance left

to finance development, according to Ricupero, “is a new international financial architecture.”

Maybe this strong intervention, which clearly had an impact on the delegates, also made an impression on “Mr. Yen,” since Sakakibara at his press conference the next day, after *EIR* raised the question of the urgent need for a New Bretton Woods in this grave time of crisis, said: “I agree, that now might be the time to issue a call for a new financial architecture.” But he added: “As to the specifics of such a measure, I do not have any fixed idea at this time.”

The final words of the UNCTAD statement of Oct. 1, are exemplary for the debate in Geneva: “Finally, it is perhaps worth recalling, that the design of a more stable financial and trading system after the Second World War was preceded by a lengthy process of discussion, albeit among a limited number of parties. The growing realization since the events of Sept. 11, that unregulated financial markets can operate against a wider public interest by channelling resources in support of terror, carries a wider message. Developed and developing countries have common cause in finding constructive measures to better manage financial markets in the interest of all countries. In this light, the upcoming United Nations Conference on Financing for Development provides a multi-lateral setting where progress toward a more balanced and stable pattern of integration can begin to take shape.”

But this progress will only “take shape,” if the discussion is focussed on the concept of a New Bretton Woods as specified by Lyndon LaRouche.

LaRouche Discusses World Crisis With Peruvian Engineers

On Oct. 2, Democratic Presidential pre-candidate for 2004 Lyndon LaRouche addressed the Peruvian Society of Economist Engineers by video-conference. While LaRouche's presentation was directed toward the ongoing crisis in the nation-states of South America, a wide range of strategic and economic issues which face all nations in this time of crisis, were addressed, from the standpoint of universal principles, in terms which all nations must grapple with.¹ Presiding over the event were Dr. Luis Macavilca, the president of the chapter of Economist Engineers of the Society of Engineers of Peru; and Luis Vásquez and Sara Madueño of EIR, who also moderated the question period. LaRouche's remarks follow:

Several things we should go through in series.

First of all, the crisis: We're in the final, breakdown phase of the existing world monetary and financial system. Not one part of it, but, essentially, all of it. That means the Americas, it means Europe, it means most of Eurasia, it means the world. Nothing can be done to save this system in its present form. It will go into a phase of disintegration during the present and next quarter, before the beginning of the year. It may limp along in some form after the first of the year, but the system is, essentially, finished, and can not be preserved in its present form, with its present institutions.

This is also, because of this crisis, a very dangerous period in history in other respects.

1. This *Feature* should be read in tandem with other recent speeches or interviews by LaRouche: "LaRouche Speaks On Surviving The Global Financial Crash," *EIR*, Aug. 3, 2001; an interview which LaRouche was giving to Utah radio host Jack Stockwell on Sept. 11, at the very moment that the news was breaking about the attacks in New York City and Washington ("LaRouche: Calm Leadership Needed Against Attack on U.S.," *EIR*, Sept. 21, 2001), and an interview with Mexican Radio ABC, in the same issue; "LaRouche On Dominican Radio: 'Hysteria Is The Worst Possible Thing' " (*EIR*, Oct. 5, 2001); and an interview given Sept. 18 ("A Conversation With LaRouche In Time Of Crisis," *EIR*, Sept. 28, 2001).



Lyndon LaRouche visits an aeroponics plant in Italy, July 2001.

We have now the threat of generally spreading warfare throughout the world, particularly since the Sept. 11 terrorist attacks in the United States — largely, an internal operation, but, obviously, may have involved elements from other parts of the world, as participants in the operation. We have not seen the end of it. No one has stopped the terrorists. No one has identified yet the terrorists, the actual ones, so, they're sitting there, ready to strike again.

And, this is not unusual in history, for times of great financial and economic crisis. For example, 1932-1933: We had a world crisis, which, at that point, centered on Germany, because Germany was a pivot, strategically, of the effects of the crisis. At that point, you had in Germany, an effort to stop Hitler from inside Germany. This effort was led by a Chancellor of Germany, Kurt von Schleicher. At that point, certain bankers in London, headed by the former Bank of England head, Montagu Norman, and by groups in New York City, including the Harriman interests, including the grandfather of the present President of the United States, Prescott Bush — these people with Norman, with people like Schacht in Germany, with the von Schroeder banking interests, with von Papen, conspired to overthrow the von Schleicher government, which was done on the 28th of January, 1933. On the 30th of January, at the instigation of U.S. bankers, Norman, and Schacht, Hitler was put into power in Germany, as a Chancellor. His power was not complete at that point.

A month later, the Reichstag, the Parliament of Germany, was burned down, in what would be called a terrorist incident. Immediately, the Nazi Party took measures to declare emer-

gency laws, and then, through the Parliament, enacted new laws, extending the emergency. Less than a month later, Hjalmar Schacht became head of the Reichsbank, and became the controller of the arms drive of Germany leading toward World War II, which was already planned.

We're in such a time of crisis now: danger, coups d'état, overthrows of governments, revolutions, violence, terrorism — of the characteristics of a period in which a financial system collapses. Because, it's a time of desperate men. You have men who have dominated the world with the present financial system. That system is now doomed. They're desperate. They're blind to reality, and they're determined to hold onto their power by any means possible at this time. They don't care about the future. They care about what they consider their way of life, their power, their commanding position in world affairs. So, therefore, there's a struggle between some of these financial interests who refuse to face reality, because they don't wish to, and the interests of sovereign nation-states and peoples. It's a dangerous period.

Reform The Monetary System

My concern is to do several things: First of all, to try to bring together forces which, as *political* forces, internationally, including governments and others, will bring this danger to an end.

Second, we must have a reform of the international financial and monetary system immediately. This means bankruptcy reorganization. Now, most of you probably are familiar with the procedures for bankruptcy reorganization

applying to corporations, to large firms. But, the bankruptcy of a government—and we're going to have many bankrupt governments around the world in the coming period, in South America and elsewhere. It's inevitable. It can't be prevented. The debts are beyond any possible means of paying the debts; therefore, a state of bankruptcy will exist. But this is bigger than a bankruptcy of government. This is the bankruptcy of a world system, a world financial system. The IMF system. And therefore, we must have a concert of power, of political power, which has the authority to put an entire international monetary and financial system into bankruptcy reorganization.

The principles are not much different than they are for the bankruptcy of an important firm, in a nation. There are certain firms you do not want to have collapse at any cost, because they're too important to the country. And therefore, somehow, you will arrange that these firms will continue to function, because they perform an essential function for the nation. When you're dealing with the bankruptcy of a nation, the authority of this principle is even stronger. *You can not bankrupt a nation. You can not foreclose on a nation.* That would be mass-murder.

You must keep the essential institutions of the nation functioning. You must keep the levels of employment high. You must keep all the central institutions functioning. You must have a program for recovery. When you have an international crisis of this type, of the international financial and monetary system, you have a similar situation. *You can not liquidate countries;* you can not decide which country is going to survive or not; *all nations must survive.* And they must survive together.

But, most of the debts will never be paid. And, really, they shouldn't be paid, because most of the debt was not earned honestly. With the system established in 1971, with the collapse of the old Bretton Woods system, the debts of many parts of the world—as in Ibero-America—for example, the nations of Central and South America have paid more on the debt they owed, as of 1971, far more than they owed. And they have far greater debts today, than those they owed at the beginning!

Much of this debt was absolutely fraudulent. In an attempt to maintain the system, vast amounts of credit have been poured into things that should not have been subsidized. And this now is dead. We have the international derivatives speculation: more debt! We have hundreds of trillions of dollars of above-board, and secret or hidden, debt around the world, which can never be paid at the present level of about \$42 trillion equivalent of total world product. *You can't pay the debt out of that amount of total product.* And, the amount of total product produced is collapsing. In the United States, we have collapse, collapse, collapse. Every day, new firms are cutting back 10%, 20%, 30%—unemployment. It goes on and on. In Europe, it's the same. Around much of the world, it's the same. So, the means to pay this debt does not exist.

So, we will have to put the entire financial system into bankruptcy reorganization, cancel whole categories of debt, freeze other kinds of debt, that is, suspend any kind of interest accrual and so forth, on this debt. But, nonetheless, keep banks open, because they're essential; keep governments functioning; keep pensions paid; keep the economy moving. That we can do.

We did something similar in the United States in 1933, under Franklin Roosevelt, and beyond. That's a precedent. We know how to use that precedent for today. We formed, at the end of World War II, a monetary system, the Bretton Woods system, which *worked*. In the parts of the world, for which it was working, it worked. Not perfectly, but, it succeeded. The world, under the IMF system that was part of it, grew. The incomes of people grew; the economy grew; conditions became better—despite all the things that were wrong—it worked. We can go back to that kind of thinking, starting from scratch with a new monetary system, and a new financial system. And we can live.

A Growth Program Needed

But we need something else. We need a growth program. The system made a lot of mistakes. The system is now bankrupt. In fact, in most bankruptcies, somebody in the management made a mistake. So, you reorganize the management, bring in competent management, and use, as a model, things that did work, as a way to start the economy of the firm or the country going.

What are these problems? Well, first of all, we must create large amounts of public credit, in most parts of the world, which will have the effect of increasing employment. That is, the *state* will use the sovereign authority of the sovereign nation-state to create sovereign state credit, which will then be used to create employment in essential areas of employment that can be organized. This will be, to a large degree, infrastructure. It will be, as much as possible, reviving industries that have been closed or partly closed, which should be reopened. Because we can not collapse the level of production of wealth in countries. We must do precisely the opposite: We must *increase* the production of wealth, in every possible way. We must manage it, of course, but, we must increase employment and production. Fiscal austerity methods are *suicide*. They're *murder*. Fiscal austerity, as a method, *must be cancelled*. No more bleeding economies to try to roll over debts. It won't work. You'll destroy civilization, if you try. And, we need special projects that will do this.

Now, we have one class of project which is immediately available to all governments. It's called basic economic infrastructure. There are always water systems, transportation systems, sanitation systems, health-care facilities, and so forth. These things are always needed. Governments have well-defined projects—every government does—of things that need to be done, that should be done, including the increase of production of power.

In Peru, for example, we have potential for development of water resources, which is crucial for the country and its future. These things can be done immediately, as we used to do it in the United States with the military-civil Corps of Engineers. To launch large-scale projects, conducted by engineering groups, sometimes as military employees, sometimes as civilians working with military groups, and so forth. We built large-scale infrastructure. By building the large-scale infrastructure, we put people to work, useful work. These people were paid. They bought goods for their families, communities, prospered as a result of the infrastructure works. Subcontractors, that obtained contracts to assist and participate in large-scale infrastructure, and the economies would grow.

But, we also need something more. We need two other things: First of all, we need the obvious. We have, in Eurasia today, a program which I've called a Eurasian Land-Bridge, and my associates and I called it this. It is now, in a sense, being adopted, or in the process of being adopted in Eurasia. That is, Russia, China, other countries, are coming together in cooperation on large-scale development projects, including transportation projects: modern types of rail transport, including in China; magnetic-levitation rail systems are now being introduced. The idea is to create, from the Atlantic to the Pacific, a system of communication and development, which enables us to take the areas of Central Asia, which are wealthy, in terms of natural resources, but poor in development, and by introducing development across this area, and transportation, we can make this an area of growth. This would mean that countries such as Japan, or Western European countries, which normally were producing high-technology capital goods, will find in this arrangement, a market for increasing flows of production of goods, into countries like those of Central, South, and East Asia. China, for example, is a great market, if the proper kinds of assistance are given to it. A great internal development. This area contains the largest population in the world, the largest part of the world's population. So, this is the great opportunity.

If, as is also being proposed—if, from Eurasia, not only do the Americas participate in the market in Eurasia; not only if Americans participate in the market which will also develop in Africa, for development, but, there will be the building of a bridge, a tunnel-bridge, from Siberia to Alaska. That bridge will come down to the Americas, through Central America, into South America, all the way to Tierra del Fuego, Cape Horn, to unify Eurasia, in that way, and in other ways, with the Americas. [See maps, pages 11 and 12.]

We have, in South America, in particular, large areas which are undeveloped—lack of infrastructure to develop them—with vast resources. Patagonia, for example: vast resources. Other parts of South America: vast resources. Undeveloped. We have to convert the opportunity of development of these areas, with their resources, to divert that into a great market for investment.

Science-Driver Programs

Now, we need to do something else. We need to have some science-driver programs for the world as a whole. We need to set some objectives, in terms of scientific objectives, new technologies, breakthroughs, new forms of energy, higher-density forms of energy. These kinds of things, we must have. We must use our universities, and develop our universities to produce the cadres for these projects, to produce the skilled people, to implement them. To do the scientific research, which will feed these kinds of scientific projects. In that way, we can create a new kind of national economy. Not really new, but a qualitative improvement.

If you look at the history of mankind, especially modern European civilization, the history of mankind is based on something, where man differs, absolutely, from all animal forms of life. Man is the only creature which can discover a universal physical principle, can replicate that discovery in the minds of other people, can cooperate to use those principles to increase man's power over nature. Through this means, man is able to increase the productive powers of labor, to improve the demographic characteristics of population, to increase the potential size of populations that can be supported, raise the standard of living, and conquer areas that could not have been conquered beforehand.

Why don't we just take that lesson, especially of modern society, and use that to reform our economies? That is, mobilize our universities and educational systems as science-driver institutions, where old discoveries are reenacted for the students, where research is done on new principles, where the research work on new principles is done together with engineering programs, to test new principles, to convert them into new technologies which can be used, to connect our economies—the productive sector of the economy—with these university centers; in order to create an economy in which we are increasing the percentile of the labor force which is employed in fundamental research and in engineering, in creating new technologies; to increase the percentile of the population employed in industries, which are of high-technology operatives, who are able to assimilate an outpouring of new advanced technologies, to make them real and to bring them into general practice.

Unify The Human Race In Cooperation

So these, I think, are the things which we should do at this time. These are the things which can lead us out of the world mess. What we need, essentially, is the political will to understand that this has to be done, to bring nations together, and other forces, to say, we are going to put the system into financial reorganization, into bankruptcy reorganization. We're going to generate masses of public credit, by governments and by cooperation among governments, to expand employment, especially productive employment, on a world scale, in each country. We're going to take other measures to promote the expansion of employment in useful forms of production.

We're going to maintain social stability and the general welfare. Now, we're going to reach out beyond that, to *pioneer* in great infrastructure projects, which will be transcontinental in their significance, to unite the continents, to unify the human race in cooperation.

We must mobilize our population around the theme of education, of scientific education, to elevate the meaning of the nation-state, to sovereign states which are concentrating on developing their populations through education, to become science-driver economies; to upgrade the quality of work for which people are employed; and to create a kind of world which we've been trying to build ever since about the 15th Century in Europe, with the great Renaissance there.

I think that we have to say, we've come to a time, where humanity faces the greatest danger that the human race has ever faced, in all known history to date—right now. We're in a period where, if we don't do something to correct the problems, we could go into a New Dark Age of all civilization. We're vulnerable now. We don't have the resources we used to have, to live through a depression. The rate of deaths which will result from a continuation of this collapse, with no solution, would amount to a New Dark Age for humanity.

But, looking at the danger of great wars, a New Dark Age, and great convulsions, and chaos, perhaps this will alert us to the fact that we can not behave as children anymore. We have to become adults. We can not think about our convenience, our personal interest in a narrow way, or a silly way. We've got to think about what are we doing about a future humanity, our children, our grandchildren, who are threatened by this great crisis.

We're becoming older. In the course of time, we'll die. What are we going to leave to those who come after us? Are we going to leave a Dark Age, or are we going to be the giants, who created the opportunity for not only a revival and preservation of civilization, but who, *in our time*, did something of which we can be proud in the eyes of our deceased ancestors? Something in which we can be proud in the eyes of those who come after us.

We must use the great crisis, and the fear it strikes in many people, as an incentive to grow up, to grow out of small-mindedness, and to have the imagination to see solutions, and to devote our lives to the purpose of bringing those solutions into being, so that when we die, we will be able to say, *we lived, and it was good*. Thank you.

Dialogue With LaRouche

Financial Policy Of The U.S. Federal Reserve

Q: Thank you very much, Mr. LaRouche, for your presentation. While we prepare for questions from the audience, I have here a question, which, at the beginning, an economics student gave me regarding some recent statements by the Economics

Minister of Peru, Pedro Pablo Kuczynski. The question is the following.

Mr. LaRouche, the Economics Minister of Peru, Pedro Pablo Kuczynski, has just recognized that the world is in a very grave crisis, a “cosmic crisis,” is the way that Kuczynski described it. However, the Economics Minister has said, that the policies of the United States, of cutting interest rates, will be beneficial for debtor countries such as ours. We would like to know your views.

LaRouche: First of all, one must be realistic, and everyone, I think, in Peru knows this. There are only three cultures on this planet, national cultures, which, at this time of crisis, are able to think in terms of global solutions for problems. There are many countries in which leading people could say whether a proposed global solution would be good or not. But they would not propose that *their country* initiate that solution.

The three nations whose national culture permits them to indulge in thinking about making world changes, worldwide changes in institutions, are the United States, Russia, and the British monarchy. Every other part of this world—now China's a different case, but China doesn't think in global terms; India is an important country, but India does not think in global terms, even though some Indians, or some Chinese, may, but the national culture does not support the idea of the nation as shaping the planet. The national culture of most countries thinks, as in Peru, of trying to shape events, so their country survives and has the opportunity of doing something with its own destiny. But shaping world destiny: no.

So, therefore, when you hear from a minister of a country, which is not one of these world powers, you have to recognize that the minister will always speak by being *realistic*, by saying, “I'm going to say what will not get me overthrown or shot by a superpower, or its agents.”

The problem is this: To get a solution on a world scale is going to require the cooperation of a number of countries with, hopefully, the United States and Russia. These are the only two countries, outside of the British monarchy, which are capable of thinking in these terms, thinking of acting. That is, countries that would call other countries together, for a great conference to deal specifically with such things as the breakdown of the present global monetary and financial system.

So, obviously, Mr. Kuczynski, in speaking—and of course he has some familiarity with the United States, and knows what the temper is of some of the bankers and so forth in the United States—is not going to propose something, unsupported, or not likely to, which would not meet approval in New York. That's the problem. It's unfair, it's unjust. I agree it's unjust. It shouldn't be, but that's the way it is.

Therefore, my particular job, and the job, in a sense, of Russia, the job of fairly powerful countries in Europe who will not act on their own, China, which will not really act on its own, Japan will not act on its own, India will not really act

on its own on this question — there must be people who come from inside one of the so-called superpowers, or maybe two or more great powers, who say, we want to call a conference to discuss these matters. At that point, then you would find, the Germans, Peruvians, French, Italians, and so forth, would meet together and say, yes, we want that discussion. In that framework, these kinds of issues could be discussed successfully.

My job, coming from the United States, and dealing as I have with leaders in Russia and elsewhere around the world, my job, with my knowledge and my recognition around the world, is to introduce a proposal, or to sponsor proposals, which will actually represent a realistic solution to the actual crisis which faces us.

Now, as far as what Mr. Kuczynski is saying: It's wrong. The dropping of the interest rates in the United States is not an act of supremacy or wisdom, it's an *act of panic*. The head of the Federal Reserve System is panicked. We've had a meeting going on among three figures: the head of the Federal Reserve System [Alan Greenspan]; the economic adviser to President Bush, [Larry] Lindsey; and the former Secretary of the Treasury, Bob Rubin. This has been going on for a couple of weeks, with other people involved, with various institutions visited. No agreement is reached, on dealing with what they know to be, is the greatest financial crisis that anybody ever imagined. They can't reach agreement. In the meantime, Alan Greenspan, the head of the Federal Reserve System, and people around him, are *hysterical, they're panic-stricken, they're ready to jump from a skyscraper — if they can find one that will accept them!*

In this mood, they are proposing a dropping of interest rates, modelled upon the Japan zero-interest-rate policy, zero-interest loan policy, a kind of policy which is literally hyperinflationary. You have a situation in which the world is collapsing in physical-economic terms. Employment, production are collapsing in Europe, they're collapsing in the United States. It's a catastrophe, it's a depression, as bad as 1932-33, already, and getting worse.

In the meantime, these idiots are pumping money in, printing money, inventing money, new money, at rates never seen before in history. So you have a rollover of a vast amount of new money coming into an economy which has just lost in the area of the New Economy alone, in the United States, over \$3 trillion in the recent period, of asset values wiped out.

So, this is not a solution, but what is Mr. Kuczynski in Peru going to say? Is he going to say the United States is insane? Well, I'm an American. I can say that. I know it, and I can say it; and I say it. The policies of New York are insane, and that's why we're getting in the kind of situation we are.

So, as I say, the solution is, the answer is the practical answer. The practical answer is, "No, it won't work." But the responsive answer is, "Those of us who are in a position of power, either because we have power, or because we represent a nation which represents power, we have to take responsibility

for opening the doors, so that people from countries which do not have that power, are able to sit at the same table and be heard on their views on these matters, to get the kind of discussion we need to get some of these problems settled and solved."

Security And Ecology

Q: If the audience would like to ask their questions verbally, there is a microphone available. The questions we have received are quite varied. They range from global or international economics, to the Peruvian economy today. There are questions regarding national-security policy, and about the armed forces. We also have some questions regarding specific development projects on the continent, and also, two questions regarding the issue of culture. Obviously, there are quite a few, and I don't think we can deal with all of them. So, I'm going to try to synthesize all the questions, although I'm going to try to include them all, also depending on the amount of time Mr. LaRouche has.

I believe that we can start with a question that has to do with the global situation. It reads as follows: In the 21st Century, what is the importance of the issues of security, and of the ecology, and how do these issues influence the international economy and the lives of individuals in nations? These questions come from a German journalist, a correspondent for the *Frankfurter Tag*. I think that's how you pronounce it.

LaRouche: The Venetian school of ecology, which was started formally by a fellow called Botero, in the last part of the 16th Century, and continued through the last influential Venetian on the subject, Giammaria Ortes, the man who wrote the book that was plagiarized by Thomas Malthus — this Venetian school of ecology is essentially fraudulent. But it has always insisted that populations must be culled, in the way we cull cattle herds. When the population becomes excessive, and no longer desired by the cattle owner, you kill them. When they tend to breed too much, and you don't want them, you get rid of them. If they have a color you don't like, you get rid of them. If the cow doesn't give milk, you cut its throat, and so forth and so on.

These kinds of ecology, these ideas of Malthusianism, as they're called, or neo-Malthusianism, are always incompetent. But there's a real issue of ecology which is far different. The best modern definition of ecology was given by a Russian scientist, Vladimir Vernadsky, who defined the terms "biosphere" and "noösphere."

We live on a planet where there are certain conditions which are created by living organisms; that is, what we think of as resources: generally, the oceans, the atmosphere, the forests, the mineral deposits we have accessible from sedimentary rock and so forth — these things were all created by *life*. And therefore, humanity, which comes into the picture with cognition, depends upon this living part of the planet, the so-called biosphere.



A maglev system is particularly well-suited for Peru's mountainous terrain. "We need large arteries, not just of highways, but arteries of corridors of transportation and development," says LaRouche.

We're able to improve the biosphere, by use of technology. We can create fertile areas where deserts existed. We can have forests where there were no forests. We can improve the management of water. We can improve the weather. So, we should do it. So, therefore, our objective in ecology, the strategic question of ecology, *should be*: We should promote those measures of infrastructure development and maintenance, which are necessary to improve the conditions of life, the biosphere. Yes, we should do that.

We also need to spend more on hospitals, on medical assistance. We need to deal with the diseases of animals, the same way we deal with human diseases, because they spread; diseases of plants. So, therefore, we have to have a policy of *managing* the biosphere for the advantage of humanity. But the idea of ecology, of saying, let's leave nature alone, let's not tamper with nature, let's not change nature: that's a mistake. It's unscientific and incompetent. The old Venetian school. The way to approach the ecology is to say: This is the biosphere; we have to improve it, in the same way that a farmer improves raw land, which is unproductive, and converts it into productive land. That should be our policy.

The Bi-Oceanic Highway In South America

Q: We also have a set of questions regarding a subject that has been much debated here in Peru in recent days. It has to do with the bi-oceanic highway. One of the questions reads: Brazil is interested in building, jointly with Peru, a bi-oceanic highway, that would run through southern Peru. In the framework of the New Bretton Woods, do you think that this highway is feasible; and, who should be in charge of the construction of this project, the states, or the private sector?

LaRouche: Well, obviously, it should be done primarily

by governments; the governments must control it, because the building of any such highway system—and, I think a rail system is also crucial. I don't think there should be just a highway system. I think a highway system is good, but, look, for example: In this area of Peru, you have a mountainous area. Now, what are the gradients for going up those mountains? You're not going to take a friction-rail system, and go up those mountains. Nor is it efficient to use trucks to take large freight up and down those mountains. The kind of system which will do that effectively is a magnetic-levitation system, a substitute for a rail system, if you want to get into areas of Peru, for example, which are higher, which are sparsely developed, in terms of what their resources are, to get over to the other side, down toward the Amazon side, and develop that. So, we do need large arteries, not just of highways, but arteries of corridors of transportation and development.

Looking at what we did in the United States, for example, in the middle of the 19th Century: We developed a system of transcontinental railroads, which were not just transportation systems; they were development systems. We took a nation which had two principal oceanic frontiers: the Pacific and the Atlantic. We brought the Pacific and Atlantic together in the middle, with the development of development corridors, which were, initially, *agricultural* development corridors, things like that, based on the transcontinental railway system.

It is obvious, when you look at the geography of South America—you look at the vast resources which are not accessible for efficient use now, for lack of development corridors—it's obvious that it's necessary. Even the interior of Peru: It's obvious to all of us who have discussed Peru, that this is needed to realize the economic potential of Peru; this

is needed. To realize the economic potential of the hemisphere, this is needed. It's needed from the Pacific to the Atlantic. It would be, in my opinion, insane not to do it. The question is: Can governments agree on *how* to do it? But I think the direction that is needed is not really political, in choosing routes; I think the routes follow the natural geography, which indicates what the proper routes are for development corridors to connect the Atlantic to the Pacific.

I think that this is, maybe, essential, to accelerate the rate of economic development of South America; that kind of project may be something of the highest priority.

Cooperation Among Governments

Q: Mr. LaRouche, we have a question which is related to the previous one. It comes from a gentleman from the International Organization of Fujimoristas. The question is the following: How do you achieve cooperation among governments to carry out great projects? How do you standardize policies among states? The benefits from these projects would be long-term.

LaRouche: Well, first of all, I think we're going to find a fundamental change in the world political situation, for better or worse, coming very soon. If it comes for better, this will mean that, in South America, in particular, that the role of the sovereignty of the sovereign nation-state, will be much greater than it's been in recent years. That is, the tendency toward globalization, the tendency toward de-nationalization, if you can call it that, this tendency has to be reversed. Otherwise, no economic solutions are possible. People who think in free-trade terms, think in terms of: We want the lowest price. And the lowest price is had by having competition without any subsidies, or without any regulations. But that's not true.

The key way that you get economic growth, is through long-term investments. Remember, the basic investments on which an economy is based, a modern economy, is a generation. Now, this is the same generation that it takes to raise a child. You have to invest, from birth, to up to 25 years, to produce a child who is professionally qualified for work. That's a 25-year investment, approximately, more or less, to develop any kind of large capital infrastructure—again, we're talking about the period of a generation, or even two generations.

Now, how do you do things which take two to three generations to come to fruition? Where they pay for themselves? You have to have a source of credit. Now you can't have private credit, because you are doing things on a larger scale than the present economy provides for. So, borrowing money is no solution, in the ordinary sense, from private sources. The *state* must be sovereign, must use the state authority to create large volumes of credit.

Take a case in point: Up until 1982, Egypt had a large-scale project to move the populations which were congested in Cairo and Alexandria, and to shift them into new cities,

which would be irrigated locations, through large-scale water-management projects. The project was going along very nicely, until the United States and IMF stepped in, and forbade the Egyptians to continue the project. Otherwise, it would have been continued quite successfully. Now, in this project, the Egyptians actually required—5% of the total input to that project came from foreign sources. So, to do a project, for example, in Peru, or in Brazil, does not mean that you have to have vast external resources. The primary way to do these projects is by their mobilizing *internal* resources, using national credit, then turning to neighbors who are doing the same thing, and to cooperate with them, and bring in a few partners from outside of the Americas, who are interested in participating, and bring them in too. That way, this can be done.

We need *grand projects*. Grand projects require large-scale public credit. Large-scale public credit can only be organized by sovereign governments. When this present globalized tendency in government ends, the trends of the past 35 years end, and we are forced to go back to the sovereign nation-state; when the banking systems, including the IMF, are bankrupt; when the World Bank is bankrupt; when private banks are largely bankrupt, how do you keep an economy going? You go to the government; the government, as an act of sovereignty, creates a system of public credit, which maintains the essential functions of finance, including the private banks, and other institutions. You then pick large-scale projects, which are national priorities; you seek large-scale projects which are also priorities with neighboring countries. You use your own people to build the projects, maybe with a handful of specialists coming in from the outside. You build the project, thinking about the next generation, and the generation beyond that.

And when you look at South America, you look at the vast wealth, which I'm sure many of you know of, buried in South America, *untapped, unutilized*, great potential; when you see how thin the population of South America is, you realize it is precisely through great projects of that type, that you create the circumstances in which the *potential* of growth, not only growth in quantity, but the potential for rapid improvement in the standard of living, the demographic characteristics of populations, the welfare of the individual human being, is created. This is the way it will work.

It takes inspiration, and of course, intelligence.

The Eurasian Development Perspective

Q: There are two questions that can be answered together, having to do with the international situation. The first question is: What will happen in the world situation, if we go from One Worldism to bi-polarity, with Russia, China, and India, on one side, facing the United States?

The other question, which is related to this, has to do with the role China plays in the current international financial situation.

LaRouche: Well, first of all, I think that the idea of a bipolar world, is not a very workable proposition, because a bipolar world, under conditions of insanity, which threaten to break out around this terrorist incident, and terrorist matters, and what's happening in the Middle East, will be a world at war. What you would have on a planetary scale—you would have something like the 1618-48 Thirty Years' War in Europe. You would have mass slaughter. You would have a collapse of populations. The extinction of entire nations, the breakup of the United States into several who-knows-what.

Buried in South America, is untapped, unutilized, great potential. . . . It is precisely through great projects of that type, that you create the circumstances in which the potential of growth, not only growth in quantity, but the potential for rapid improvement in the standard of living, the demographic characteristics of populations, the welfare of the individual human being, is created.

So, the idea of a long bi-polar world in conflict may be a nice science-fiction fantasy, but under the present conditions, it will not happen. We will either have cooperation, or we will have general war and chaos. That's the world situation now. You can see this in the way the conflict has broken out, around the Middle East conflict, combined with these incidents of Sept. 11—the reaction to that. We're in an extremely dangerous period. The world can blow up. And the only way we get out of that, is cooperation.

What we have now, an example of that, is you have—you may have noticed recent discussions between the President of Russia and the President of the United States, and the circles of the President of the United States. That there's a very interesting dialogue going on between Russia and the United States. I've been, in a sense, walking in that territory, and know a good deal about it; not everything, but a good deal about it. The only hope, is that somehow, the United States, realizing that it has a great financial crisis, realizing that the present financial system is a *hopeless disaster*, will turn to cooperation with Eurasia, in the vital interests of the United States, as well as Eurasia.

Now, to build Eurasia: In Eurasia, you have to include Western Continental Europe, with Russia, with other coun-

tries of Central Europe; you have to include China; you have to include Japan; you have to include India; you have to do something about peace and development in the Central Asia region; you have to do something about Southeast Asia. So, you must bring in a system of cooperation on which you can *launch* a large-scale development project, in which countries which produce more high technology, will produce it and sell it, on credit, to countries which, like the interior of China, which need this supply of technology. Or, India. And that market—and the United States opportunity to participate in that market—is the best hope for the United States.

So, if we *don't* cooperate; if we *can't* cooperate—a time that Russia is willing to cooperate, that China is willing to cooperate, that India wishes to cooperate, that Europe wishes to cooperate—if we don't cooperate, *we are insane!* And therefore, if we are insane, then, what we're going to have is the price of insanity, which is a New Dark Age. That's the way it is: When humanity does not have the sense, when empires have not had the sense, to stop being insane, they have, generally, destroyed themselves, like the Roman Empire, and others before.

And, we're at the point, where—I realize that in Peru, it is difficult to think of these things, in some respect, because Peru does not have the power to walk into Washington, and tell Washington what to do, as such. But those of us who know, whether in Peru or elsewhere, should realize, this planet can not go in the direction it's now going. We can not continue this system, which is about to disintegrate, nor can we have a conflict of the type which is threatened by the Middle East conflict, or by the ways in which some people are trying to approach this terrorism question: We can not have that. Because this planet will not survive under those conditions.

And therefore, I think that's the way you have to look at it. There is no solution, except a global solution.

Under those conditions, China is not a nation which, as a nation, as a national culture, thinks about the world as a whole. China thinks about its relationship to the world as a whole; it almost thinks about the world as a whole as a neighboring planet. And it has a planetary interest in China. And I'm not suggesting that the only view in China is that of the Middle Kingdom, but China does not take responsibility, cultural responsibility, for the welfare of the planet. The Chinese, in Africa, do excellent work. Their work in Africa is the best of any nation, in terms of the charity, the honesty of what they're doing. But China doesn't think that way. There may be people in China who think that way, but China, as a nation, doesn't think that way. China does not think of itself as a global culture. It thinks of itself as a nation in the globe, with very important interests and concerns.

It is Russia, which is a Eurasian nation in its *mentality*; it is Western Europe, which depends upon Eurasia for its survival; it is the need for cooperation between Russia and Western Europe, and China, and Japan, and the United States,

which is the urgent question, among all sane people, at this time, on this planet. If that idea is *clear*, and if we can help to make it clear, in more places, that's the solution. Because—in answer to your question—the other alternatives are *unspeakable*. They are not acceptable. Just not acceptable.

Are We Already In World War III?

Q: I have a number of questions here, which express the concern of all of us here, with regard to the international situation, and its implications for our country. We can summarize them in the following way.

One of the questions asks: Mr. LaRouche, do you think we are already *in* World War III? And in this regard, what's going to happen with the debt situation? Where does that leave the nation-state? Are we heading into a situation where we'll have city-states in a world order? What's the proper role of nationalist armed forces? Are we already in the process of disintegrating?

And, in addition to this, to complement this question: What is going to happen to Latin America, given the crisis today facing the United States? What do you think we can do about it, from here?

That's a set of questions, which I'll leave up to you.

LaRouche: Okay, well, first of all, you have to think about the last century, and compare the situation now with our experience in the last century, the 20th Century.

The world went through a world war, which was actually organized by the British monarchy, by Edward VII, in particular, who organized a war between his two nephews—King Edward VII. His nephews were Kaiser Wilhelm of Germany, and Tsar Nicholas of Russia. And he organized it.

In order to prevent—Europe, at that time, at the end of the 19th Century, was moving toward cooperation throughout Eurasia, based on projects inspired by the United States, inspired by the tricontinental railroad system, and so forth. Such as that railroad, the proposal for the Berlin to Baghdad railroad, and so forth. To break up that economic cooperation, from the Atlantic to the Pacific, across Eurasia, the British moved to start a war in continental Eurasia. And this was World War I.

There was a great mobilization of economies in the end of the 19th Century, particularly after the Civil War in the United States. Largely inspired by the United States, and its success in defeating the Confederacy. Germany was built up, on the basis of the U.S. model, beginning 1877. France was built up, after getting rid of Napoleon III. Italy was built up by its reunification. Russia was being built rapidly. So you had a great growth.

Then you had the danger of war. There was a great mobilization of war. The beginning of the battleship by the British. Other elements. Vast industrial and agricultural projects. So that the world came into World War I, and out of it, with vast industrial resources. The war ended in 1917, 1918. In 1933, Hitler became the Chancellor of Germany. And we're back

at war again, or ready for it.

Now, that's a period of less than 15 years, and despite the Depression, in the Depression of 1929-33, and so forth, there was still a vast amount of productive potential left in Europe and North America. And also in Russia. So that when we went into World War II, and we went into the Depression before then, we had vast resources of developed productive capabilities, including agriculture and so forth, which we were able to call upon in the Depression, for an economic revival, and also to prepare for war.

We came out of World War II still a great power, a great industrial power. The United States was more powerful than ever before. We continued that way until the middle of the 1960s, at which point we collapsed.

Now, we've had 35 years of collapse of the economies of Western Europe, of North America, and of South America, and Central America. The wasteland that exists today in these countries, is monstrous compared to the conditions of the Depression—that is, the productive potential per capita of that period. So, therefore, if we do not have an economic revival, and if we try to fight over the dwindling resources which exist because of deindustrialization, because of globalization, what you will have is a condition under which the collapse of population, through disease, starvation, and strife, will be worse than hit Europe during the middle of the 14th Century, the so-called New Dark Age. And that's what we're looking at.

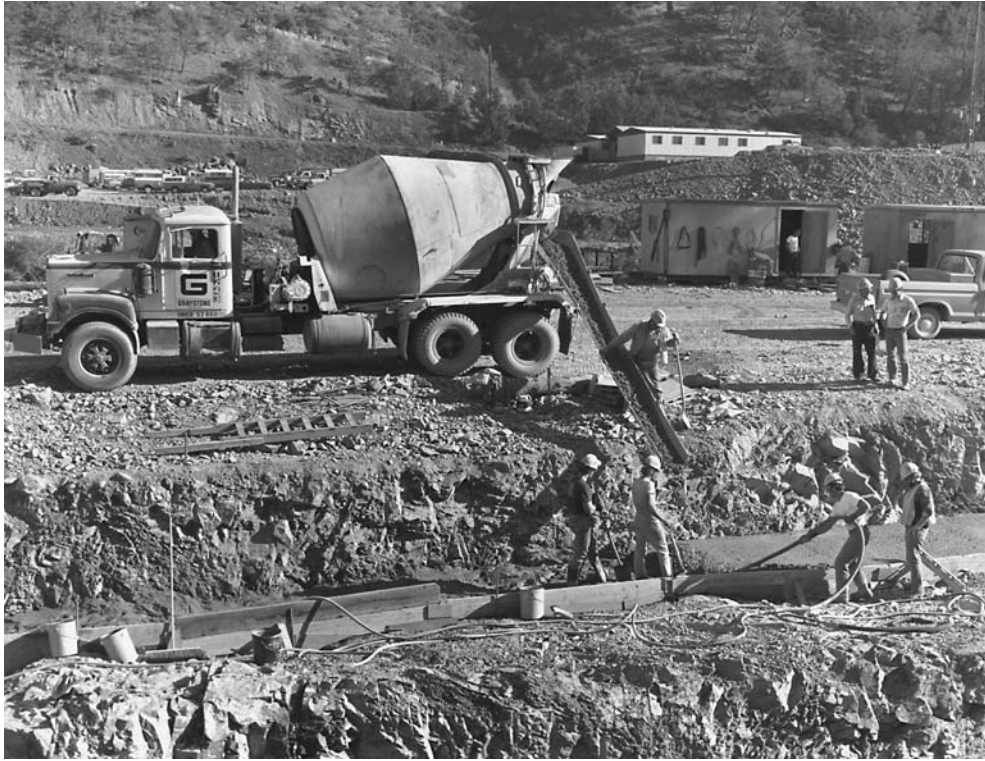
If we do not organize a global economic recovery, to reverse the policies which have reigned over the past 35 years, approximately, in the United States as a trend, if we don't do that, on a global scale, this planet is going into a Dark Age.

Now, therefore, what I said earlier applies then to much of this question.

I've always thought—and of course, I was involved more heavily in this when we had a more optimistic period in Central and South America, 1982 and the period of the Malvinas War. I thought at that time we could reorganize, I thought the United States would come to its senses under Reagan—for very specific conditions, reasons—and we could reorganize the credit of the Americas, and start a revival of the economy of the nations of the Americas. It was very possible at that time, objectively.

It's much worse now. We've lost much of the resources. Look at Mexico. Look at all the countries. Look at what has been lost! Look at Argentina! It's a basket case, compared to the powerful Argentina we knew still back then in 1982. Brazil has suffered great injury. Colombia is almost nonexistent, because of the guerrilla warfare. Central America is almost destroyed. Mexico is ruined; it's living on providing cheap labor for the United States, essentially. Its economic potential has been destroyed.

We don't *have* the potential in the United States, or in the Americas generally, that we had 35 years ago, or even 20 years. We're at a disaster. Therefore, if we come to our senses,



In South America, the military can play a positive role, not simply as a combat arm, but as a corps of engineers, a transmission belt for building works of national importance. Here, the U.S. Army Corps of Engineers works on dam and reservoir construction at Applegate Lake, Oregon.

we can get out of this. The lessons of the past show us.

Now, in this process, of course, the military plays a very important role. Remember the military — modern military science is typified by two figures of France and Germany, who came out of the 18th Century. One was Lazare Carnot, who was a young engineering officer, and probably the greatest military genius of that century, as a follower of Vauban. The second was Scharnhorst, a brilliantly educated man — he was an engineering officer, an artillery officer. You had a change in the character of the military, in the 19th Century, which came out of the idea of engineering — originally essentially a French idea. The ideas of people like Vauban, the people about Carnot of the Ecole Polytechnique. The ideas in Germany, developed around Scharnhorst and his friends. The idea that the military must be essentially a nation-building institution, which in the case of the United States, built our railroads, or a good deal of them, whether as active officers, or as retired officers. The Corps of Engineers was the typification of the U.S. military. Engineering was the basis for the military of France, under Carnot and people like him. It was the basis for the military in Germany, and so forth, and so on.

So a military force is not simply a fighting force. A military force is an instrument of the state, which, in a modern state, is primarily an engineering responsibility, in the broadest sense of the term. Major public works. Doing things on a large scale. Mobilizing large efforts which the state must have done, as the state, or as a part of a package of people who do that sort of thing. Retired military officers, who have engi-

neering training, go into service, in private capacities, and use their skills, again for the benefit of their nation, but use it in a private capacity, as opposed to being as an officer.

So, this role obviously, in a country, particularly a country which is not fully developed, like Peru, that a good military, with a Corps of Engineers kind of background, is an essential way of getting infrastructure built. Because if you take the army, the military, you use the military as a cadre, a core cadre, for nation-building projects: transportation systems, highway systems, hospital systems, sanitation systems, these kinds of things. Building new communities, fighting disease, control of problems. And that is the daily life of the military. That's the high-morale military, not a barracks military which sits in the barracks and smokes, probably marijuana or something, but a high-quality military, which takes pride in its function for what it does for the nation. And can fight if it has to.

And that role is probably more important, in countries of South and Central America today, than it was in years' past. Why?

Because we have vast armies of broken families, of unemployed, of poorly employed, of destitution, without adequate schooling. Don't you need institutions to absorb, to recruit, to train these young people? Not just to become soldiers, but to become functioning citizens. To become parts of teams which function for the nation, which take pride in what they do for the nation. Who then go from military training, and military life, into private life, where they continue that same

attitude, and that same morality.

In countries like in South America, where there's vast armies of unemployment, and underdevelopment, the military can play a positive role. Not simply as a combat arm. But its strength as a combat arm will flow generally from its function as a corps of engineers, as a transmission belt, an organizing focus, for the building of works of national importance, and dealing with national emergencies.

Take a poor boy off the street, educate him, develop him, give him a mission. Give him a sense of pride in who he is. Give him a sense of identity. Let him do a period of service, and then go into the reserves and live in a private life, and do the same kind of thing. I think that's the role of the military in this time.

And, of course, I say, in Ibero-America, it's needed. Also, the general other thing, is the rebuilding of the idea of the nation-state, of the sovereign nation-state.

That's not a way of competing, or fighting other people. It's a way of pulling people together, as if a family. You want to take certain things, then do them together, to build society. We *need* that now. We have around the world, as the nation-state disintegrates, is, you have migratory mobs of people looking for employment in different, strange countries. You have a general loss of a sense of personal identity, among the growing mass of the total population.

Monetary Policy

Q: What do you think of the role of monetary policy in the generation of public investment in the countries of South America?

LaRouche: I'm sort of against monetary policy, in general. I think the idea of *monetarism*, is the greatest mistake we've had.

Look at the reality of the situation. What's the relationship of man to nature? Does *money* determine the relationship of man to nature? Or is not the relationship of man to nature, a physical relationship? Is not physical economy what's important? Is not the productivity of wealth, is not the improvement of the environment, are these not the issues?

What you need is a policy which we used to have in the United States. It was called the American System of Political Economy. In my view, it was the best model of economy which ever functioned, for a nation-state economy. That of Hamilton, of Friedrich List, of Mathew Carey, Henry C. Carey, Peshine Smith, and so forth. This model worked! We were a protectionist model of economy. We set prices. We regulated trade. We used tariffs—these kinds of methods, which were the typical American System methods.

As an example, in South America: The great development of economy in South America came as a result, *largely*, of the success of Abraham Lincoln in defeating the Confederacy and in setting forth before he died, the economic mobilization which made the United States the greatest, the world's greatest technological power. This was picked up by the admirers

of this, in South and Central America, and became the great movement for national economy in South and Central America. Much of the nation-building, that was done in South and Central America during the 19th Century and the early 20th Century, was done on that basis.

So the idea of the American System of Political Economy, as typified by Hamilton, by Benjamin Franklin actually, by Friedrich List, by the Careys—that is the way to go. The idea of a monetarist policy has been demonstrated to be bankrupt.

For example, Russia has had very interesting experience on this count. Russia went from, in most of the 20th Century, from communism, which proved a disaster, to monetarism, which proved a much worse disaster. So, Russia has had experience with both monetarism, and communism, and found both, one worse than the other—the monetarist the worst.

We've seen the effect of monetarism as a policy, over the past 35 years, on the conditions of life in the United States, in Western Europe, South and Central America, and so forth. It's a bad policy. I think we ought to scrap it. And I think that we have to be very careful about using the word "monetary," as monetary policy, ever again. At least not for a long time to come. Because that's the policy which has done more to ruin civilization, in the past 35 years, than any other single cause.

Nations Against Financial Interests

Q: I don't know how much time we have left for questions. We really have a lot of questions, and more questions keep coming up to the dais. The questions continue to emphasize the concern that people have with regard to the international situation, and its repercussions, obviously, in our country. Among others, we have, for example, the following questions, which I'll try to condense.

One of them says: Presumably, war is promoted by great financial interests. If that is the case, what happens with nations, with the institution of the nation-state? What happens with the United States, Germany, France, and England? Why don't we close ranks, to face these economic interests? What role can countries like Peru play, in finding a solution for this problem? How can we contribute? How can we change the mentality, especially that of our governments, because it's obvious there that we're facing a problem of this sort? The problems are the governments that we face.

These are some of the questions raised in this regard.

LaRouche: On the first question: It's how can large financial interests control large populations?

Well, the large financial interests represent a limited number of people. I'm fairly familiar in the United States with a list of the names of the financial houses, and law firms, which essentially dominate the United States—which are what people sometimes call Wall Street. Boston, New York, Washington, D.C.—these people. They run the United States. They're a handful of people. A small group. How do they run the United States, with all our hundreds of millions of people?

Well, how did the Roman Empire, the dictators of the

Roman emperors, how did they control Rome—until it collapsed?

They control it by an interest called “*vox populi*,” public opinion. The orchestration of public opinion. And people accepting the idea of being like children.

You know, people, when they are enslaved, and popular opinion says they should accept being enslaved, and accept pleasure, or the idea of entertainment, instead of freedom and dignity as an individual, what they will do, will not be to ask for their freedom from slavery. They will go scratching at the back door of the slave-owner’s house, and ask for a few favors. That is the behavior that you see in populations in the United States, and other parts of the world, worse.

Today, *vox populi* in the United States is orchestrated by a vast mass media program.

Look at the United States. Think of the Roman Empire. Just the costumes have changed, but the methods are similar. See the stupid Romans, the so-called citizens of Rome, impoverished, living on bread given to them on the dole, and going in the arena to watch the lions eat Christians, and things of that sort, or kill each other as gladiators.

Now, look at the United States. Look at our vast stadiums, which are filled with bodily contact sports, and cheering crowds, insanely cheering crowds, for contact sports. Look at the amount of time that the people in the streets, in their

homes, spend discussing contact sports. Look at our entertainment industry, our television industry. Look what’s on it! Great drama? No! Almost no plot at all. Sex and violence, sex and violence, new kinds of violence. Look at the video games, which are turning young children into killers. Like Pokémon. Nintendo games are turning children in the United States into wild killers, mad killers.

This is what is controlling us.

It takes a shock to bring people to their senses.

My view in politics, is what I just described to you as a tragedy. Tragedy is never a failure, the result of a failure of a leader of a nation. No leader, by corruption, destroys a nation. Rather, corrupt nations select leaders who will destroy them—as the people demand it.

The alternative to tragedy is in Classical art, the sublime. The case of Jeanne d’Arc, who is not a tragedy. In history, as in Schiller’s play, Jeanne d’Arc was not a tragic figure; she was a sublime figure. She made possible the modern nation-state. She, a peasant girl, inspired, went to a stupid king, and said, “Stupid king, God has sent me here to tell you to become a real king.” He said, “I don’t like the idea.” She set into motion a process, which, after her murder by the British, resulted in the establishment of France as the first modern nation-state, under Louis XI. Joan’s sacrifice was key in building up the Renaissance in Italy, the revival of the Catholic Church in that period. The Council, the coming out of the Councils at that time.

So, there are two approaches to a problem like this, the corruption of the people. One, you can sit and belabor, and complain against the tragedy. You can say that people are destroying themselves. *Yes, they are.* I see it.

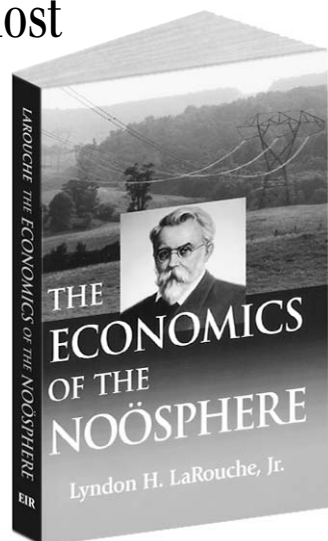
But I also see, that as in the past, if we have a sense of the sublime, we reach out to the people; we try to speak to them calmly; we present them ideas; we present them with alternatives; we ask them to think. And if we can touch them in a time of crisis—and after all, there’s goodness in every person, and if we can touch that goodness, they can rise to the sublime.

Our job is to present the poor people, who are poorly informed, poorly prepared to deal with this crisis, with a *vision* of a workable alternative. And in that case, we can win. If we don’t present a workable alternative, if we can’t approach the people that way, if we don’t approach the people that way, if we scheme and connive and try to manipulate, we will—as in every Classical tragedy—we will be doomed, by our own manipulations and our own scheming. We’ve got to come aboveboard.

The nation-state is essential.

If you look at the history of mankind, until the birth of the nation-states, in Europe, in the 15th-Century Renaissance, the condition of mankind on this planet was chiefly that of wild, or captive, human cattle. Some people hunted down people, as they hunt down wild animals. Some they killed, some they enslaved. Some killed the adults, and cultivated the children, the young animals, to become—Societies were based, the

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majority of society were human cattle, managed by a ruling oligarchy, and herded on the behalf of the oligarchy, by lackeys, a bunch of lackeys.

This was the nature of political society from the beginning of the Roman Empire, and Babylon before it, until the founding of the modern nation-state.

The problem today is that people are being driven back to the condition of human cattle. And the way to reach them, is, how?

You have to give the people this. And the Pope is the one person on this planet I really trust on this one. You have to go back to the fundamental principle upon which modern civilization was based, the principle of modern natural law. And that is, no government has the moral authority to govern, as a moral authority, unless it is efficiently committed to promote the general welfare, the common good, of all of the people and their posterity. The nation-state was created, with the first case being that of Louis XI's France, and Henry VII of England after him, with the idea of "the state must defend the general welfare of all of the people." The law must be designed to defend the people, and their posterity, the general welfare. And the state has no rightful authority except that. This is the notion of the modern nation-state.

When you take away the nation-state, then you take away the instrument of society, the nation, the sovereign nation, which is capable of efficiently protecting the people, protecting the general welfare, protecting the future generations. Without the nation-state, *there is no political morality*. And therefore, any proposal to weaken the nation-state is an action which is *evil*.

There's no reason to have war among nations. There's no justification for war among nations. We may have to fight a war, in defense. But there's no reason, there's no nation on this planet, which really has an interest, as a true nation, in warfare with another nation. For what purpose?

Our purpose is to defend the general welfare of *our* nation, and to have a community of principle in support of the general welfare, among nations.

Now, Peru's role is, in a sense, real, and it's also moral. Peru has gone through a very difficult time, in a difficult hemisphere. The sense of dignity which exists in the Peruvian population, and its institutions, is an essential resource of all of the nations of the hemisphere. And it's that sense, of that, in Peru, which I think is people's source of strength. And that source of strength is the resource from which anything good in Peru will come. As a resource which will help to strengthen the will of other countries, which, if they admire what Peru is doing in maintaining its tradition, will strengthen them to do the same.

Weak nations on this planet—and Peru is one of the weaker nations, relative to the great powers—depend upon what John Quincy Adams proposed in the 1820s. The objective of the relations among states, in the Americas, and the policy of the United States must be, as the United States ac-

quires the power to do so, we must defend all of the nations, all of the independent republics of the Americas, for the purpose of establishing a community of principle, that principle being the general welfare, the common good, of us all. And that is the only real strength that Peru has, is that its people cling to that idea of national sovereignty, as John Quincy Adams, when Secretary of State, foresaw the time would have to come, when the United States would be able to enforce that policy. That the nations of the Americas would each have their sovereignty, and would be bound together by a community of principle, of service to the common good, the general welfare.

Why The Attack On The United States?

Q: There's a question which I think is quite relevant: Mr. LaRouche, you have said that the recent attacks in the United States have been manipulated by financial interests, which seems quite plausible to me. But can you clarify for me, what are the advantages that these international forces would obtain from these latest actions?

LaRouche: Well, you see you cannot overlook the importance of insanity in politics, particularly in strategy. The people behind this—and they were largely from *inside* the United States; there were a couple of other countries involved, not Arab countries—there were some people who were part of the Iran-Contra relics, built up by Britain, the United States, and Israel, who undoubtedly were used as a resource in some aspect of these operations.

I'm not an admirer of Osama bin Laden, who's a creation of the British, the Israelis, and George Bush—the father. I'm not defending him. But they are essentially trivial.

The operation we've seen, in the United States, involves a degree of sophistication, which could not have been done by anybody outside the United States. It could only have been done by senior people, who are experienced in special warfare, and military command. That is, the minds of the people who planned this, had to be functional on the flag-officer-rank level, or the equivalent, in intelligence. This was a genuine coup d'état, run from inside the United States, probably using assets which belong to the British, the French, and the United States special warfare capabilities, which we associate with things like Iran-Contra.

The motive behind this operation is very clear. The operation was motivated by a policy which was made most notorious by a former National Security Adviser of the United States, Zbigniew Brzezinski. It's called the clash of civilizations. Brzezinski, together with Kissinger, has proposed that we have to break up the possibility of cooperation among the nations of Eurasia. We have to go back to the British Great Game of the 19th Century, of intervening in Central Asia, using religious warfare and tribal warfare, as a way of breaking up the possibility of cooperation among these states of Eurasia. He called it the clash of civilizations. He said it's geopolitics—it *is* geopolitics. It's what the British monarchy did with Halford Mackinder in starting geopolitics as the way

of organizing World War I.

The motive for this, is that people who, seeing a great financial crisis, are afraid that the nations of Eurasia will enter forms of cooperation with one another, which would create on that continent, a focal point of power, which would prevent the English-speaking maritime powers from continuing to dominate this planet. Not just the English-speaking maritime powers, but that in the Venetian tradition, the power controlled by rentier-financier interests, of the Venetian style.

Now, these are the families which I know well, from New York City, from Washington, D.C., the law firms, the large financial houses, who have this persuasion. Who last year, in New York, at the Council on Foreign Relations, had a session—July of the year 2000—in which they anticipated the possibility of a crisis of this type. And had war games, simulations, at the headquarters of the CFR in New York, to try to say, what do we do about it?

Now, what came out of this kind of war-gaming in the United States, was, again, the revival of the Brzezinski clash of civilizations.

Now, we don't know who the people were, who actually commanded this coup. It's a nature of—I mean, some of you know something about military experience, you know how a coup is organized. You have a person standing next to you; you know him as General So-and-So, Colonel So-and-So. He also is Mr. X, but you don't know that. So the Mr. X's, who overlap the intelligence and military community and the financial community, create a need-to-know, very tight security operation, and organize a coup as only that kind of trained mind can organize a coup. And when you look at the details of exactly what was done, what security precautions were penetrated, what were not operating, what the timing factors were, what the problems were of executing the operation, and you look at this operation, you say, "That was a coup d'état."

Then you say, "What about the Arabs?" Well, what about Iran-Contra? How many people have fought as Afghansis, in Afghanistan, recruited by what was called Iran-Contra? How many people are involved in the drug-trafficking—because drug-trafficking is the basis for this vast army, the flow of funds for this vast army of people who've been conducting guerrilla warfare like the Afghansi in Afghanistan. Afghanistan is the biggest source of opium in Europe and Russia today. It's an opium war. Do you think that these people in Washington, who would do this kind of thing, don't, wouldn't, use those kinds of people as cannon-fodder, for their purpose? Do you think they wouldn't take the coincidence of the danger of a religious war, breaking out in all Asia, if Sharon, or the Israeli military, go the next step, and go up the mountain to tear down the third holiest place of Islam, in Jerusalem?

This is the situation in which we're living. And that's the way we have to understand it. It can happen. It did happen. And the only way you can defeat this, is by taking away the advantage. If people are mobilized, and nations are mobilized,

and say, "All right, there's a coup being run against us. We don't know who the exact names of the coup plotters are. But we know the identity, the nature of the identity of the phenomenon which is behind this. Here's what their objective is. If the people resolve that no one will be able to conduct a coup to realize that objective, they can't take power." And that's the way I'm looking at it.

Education vs. Globalization

Q: We are going to continue with the two final questions, Lyn, in order to not exhaust you further—and we thank you again for your very valuable time.

I have three questions here, which raise the cultural and educational subject. One of them says: Do you believe, Mr. LaRouche, that the globalization process affects the educational process negatively? Do you believe that Peru has a reality different from that of other countries, regarding education? Another question on the same subject of education: Those of us who are committed to the spread of culture, what can we do to improve the spiritual quality of the people?

LaRouche: Well, yes, globalization is a danger to education. It's a danger to the people. It's a danger to everyone.

What is a human being? A human being is not an animal. No animal can discover a universal physical principle. No animal can communicate the discovery of a universal physical principle to someone else, to another animal, even of its own species. Only human beings can do that!

Now, I use the example often of the case of a student today studying some of the discoveries of Archimedes, which is 2,300 years ago, or more. A student today, a young student, in a good school, can reenact some of the discoveries of principle made by Archimedes. Now the student is not learning to repeat the words, or the formulas, or the constructions of Archimedes. The student is actually re-experiencing the act of discovery, the act of genius, of Archimedes. And once that student has successfully relived that act of discovery, that act of discovery, that act of genius, lives in that student's mind. That student, if the student is happy, will be so happy about having that experience, the student will tend to go out to other students and try to share that same experience.

Now, that, to me, is the principle of education. I would refer, as I have often have, to a painting which is in the Vatican in Rome, by Raphael Sanzio. It's called, in English, *The School of Athens*. And you see pictured there, depicted by Raphael, a large number of persons, including himself, are meeting in this portrait of the meeting of the School of Athens. These are people who lived at different times; they were not contemporaries. But they were people who were involved with the ideas of the history of Classical Greece and what came out of it.

So any student who had gone through an experience, in which all of these minds, represented in the School of Athens by Raphael, all of these minds had been experienced by the student, in the sense of rediscovering what they discovered,



“A student today, a young student, in a good school, can reenact some of the discoveries of principle made by Archimedes.”

rediscovering their argument; that student would have all of these people living in the student’s own memory, not as a memory of a picture, not as a memory of some words, but a memory of the act of argument, the act of discovery. That is what the model is of a Classical humanist education.

Now, it has two functions. One is a scientific and artistic function. The scientific and artistic function is to bring our children to the level where they represent the accumulation of the greatest fruits of human history. Those great fruits are *ideas*; discoveries of principles, artistic and scientific, which are the contribution of the past of humanity to us today. That child should relive that heritage. Not *know* about it, relive it.

This does something else. When a child relives that heritage, and comes to maturity, knowing intimately, not only the *names* of great scientists, not only the formulas of great scientists, but has re-enacted the act of genius of discovery, which produced these fruits, this child has an informed conscience. The child finds that the person — and everyone who’s had a scientific education knows this, or an artistic education — that a person you know the best, is someone who died hundreds or thousands of years before you. As every Christian thinks from experiencing, say, in terms of Easter time, where say, the Passion of Christ, such as the St. John Passion, or the St. Matthew Passion are re-enacted, the person coming in that congregation comes out of there, knowing Christ better than the person they met on the street that same day. Because they have *experienced* the Passion of Christ. They’ve experienced the act of genius in that Passion.

When you have that relationship to people of previous

generations, of all humanity, you have a sense of the things that they contributed, which should have been done, which were not done; or the ideas they had which were not followed. And you have a sense that *you*, living today, might be able to do something to change the outcome of past history. By realizing a benefit, which that person had contributed, which had not been realized up to now.

We also look forward to the future. You look at yourself, from the eyes of the future. You say, I have got to contribute to people who come after me, what was given to me by this kind of education. And I have to judge myself, and think of my life and my conscience, in terms of how they should look at me, as I look at these discoverers who preceded me in my education. This is the essential, qualitative, the moral aspect of education, which must be preserved.

Globalization, which denied this kind of history, this historical view of the development of the nation-state, obviously has destroyed education. Globalization has denied the right of governments to provide their children the conditions of life, the conditions of education, where every child has the opportunity to develop that quality of genius which is symbolically portrayed, by Raphael’s *The School of Athens*.

What do we have to do about it? I think we have to — First of all, we have to share, I would hope, the viewpoint which I just expressed. We have to share it with one another. We have to try to inspire people to see humanity in those terms, to see other people, to see nations in those terms. We have to mobilize in every way possible, to approximate that kind of educational process among children, and others. We

have to cherish it.

We have to hope that we can build institutions which will do that; in which every person has a moral sense of themselves, not as an animal in a jungle, trying to survive at an advantage over somebody else, or some other nation, or some other person, but have to see ourselves as having an individual, who is at the one time divine, and yet mortal. We're divine in the sense that we can share ideas, with people who lived a thousand or two thousand years ago, as if it were only yesterday. We can look forward to hundreds of thousands of years to come in a way, the same way. So we find ourselves living, as some theologians call it, in the simultaneity of eternity. We sense ourselves as a mortal individual, living as a mortal being, in a very short period of life, but living, as a being, who brings, makes the past come alive, and brings the future into being. We see ourselves as a person on a mission, called mortal life, of bringing justice to the past, and bringing hope to the future.

If we see ourselves so, then I think we know how to act. I find that thinking this way, which is a habit of mine, gives me a great deal of strength. I think that other people would find that that way of thinking also gives them strength. And by giving each other that kind of strength, and that kind of perspective and vision, then we would say: Well, the most important thing is to develop our children into adults who have achieved this, and leave the future safely in their hands.

Do what we can do. We don't have the power to predetermine everything, but we have the power to do good. And if we do good, there's some benefit will come of it. It's the best we can do.

Terrorism And Intelligence Agencies

Q: We are going to turn to the last question. Many of these questions will be left unanswered, for time reasons. As you can see, about 35 questions have come up to the dais. It's obviously impossible to answer each one of them. I will pose the final question, by joining four questions which relate to the question of security.

The first says: What is the relationship of the CIA to the terrorist movements in Peru, Sendero Luminoso, and the MRTA? The second question is about the terrorism situation in Colombia: What is the perspective that you foresee there, Mr. LaRouche? The third question is on the relationship of terrorism to the drug trade in the whole continent; what do you think about this? And the last question asks Mr. LaRouche to please indicate, in broad terms, his security policy for this hemisphere.

LaRouche: Well, let me take the last question first, it's the easiest one.

If we, the United States, have the kind of policy I hope we can persuade the United States government to adopt—and I think it's not impossible—in that case, the hemisphere has no security problem. Because if the nations of the Americas are united on certain kinds of objectives, no one would dare, or



New York Stock Exchange President Richard Grasso embraces the narco-terrorist Raúl Reyes, in Colombia in 1999.

wish, to attack them. So, that's the easy part. So the point is, the United States must, as John Quincy Adams hoped, play that kind of role in respect to the Americas.

Otherwise, I see no magic solution for the question of security.

Now, the CIA is not, in my view, a very significant part of the problems of drugs and terrorism in Central and South America—not as such. However, there are other associations which are sometimes referred to as CIA, which are actually not.

The peculiarity of U.S. law, is that when Allen Dulles, under the National Security Act, functioning as Director of Intelligence, was also the Director of Intelligence for the CIA, but he was also the general director of Intelligence, which included military functions as well. He then created a special facility, under the Joint Chiefs of Staff, in the Defense Department, which was known as the Special Warfare Division. And out of this Special Warfare Division, all kinds of people—some military, some retired military, some all kinds of things, not military—began to be used—and this included foreigners, not just U.S. citizens, but people from many countries were used to conduct special warfare; and I think some people know what I mean by special warfare.

The development of the terrorist movement, so-called, which to my knowledge was chiefly done by governments, or by large financial institutions with the power equivalent to that of governments—that is, the idea of autonomous terrorist movements as existing, is nonsense. Autonomous terrorist movements don't survive; they don't live to be around very long. Any terrorist movement that survives, survives *only*

because it is an instrument of policy of some government, or governments.

The paradigm for this is the Iran-Contra operation, as it was called, which we know very well throughout the Americas, and so forth. But it's this Special Warfare section, and this tradition, where you have a mixture of official and private funds—and it was the private funding, on the Israeli model, introduced in 1981, which is the big source of the horrors of terrorism on the planet today. That is, you had an arrangement under which special warfare capabilities of this type, including from all kinds of countries, largely British, Israeli, and U.S. as the control, created things like Iran-Contra—out of Islamic Jihad, and other things they got it out of. Created it.

As you saw in the FARC, as you saw in the drug lords of Colombia, the same thing. Other parts of the hemisphere. The drug lords, the terrorists, they were never autonomous forces. They were supported by *governments*. Sometimes governments from outside the hemisphere, but known to governments inside the hemisphere. So there are no such things as survivable terrorist organizations. An independent terrorist organization will not survive very long. Once it sticks its nose up, it's likely to be crushed, if it's not absorbed. So, terrorist organizations, as such, are instruments of governments. I know that from the 1960s. I know that from the '70s, and the '80s, and today—that terrorists are instruments of govern-

ments, or financial combinations.

Now, the complication has been, the biggest source of funding for independent warfare capabilities, not necessarily funded by governments, but otherwise funded, who can buy vast amounts of weaponry and so forth, is what? Drugs. Without drugs, you could not have what is called international terrorism today. That's how armies are funded. You could not have had an Afghansi organization, the Taliban regime, without drugs. So that's the way the thing goes. And that's the way the problem goes. It's crucial.

Colombia, exactly that. It's a drug war. You have this guy Grasso, head of the New York Stock Exchange, embracing the treasurer of the FARC! The biggest drug-trafficking and terrorist organization in Colombia. Obviously a case—financial institutions. And so forth and so on.

So, those, in short, I guess to make it as brief as possible, that, I think, is my answer to that question.

Q: Well, Lyn, as you can see, we've not only listened to what you've had to say with great attention, but we all here are taking stock of the advice and the analysis which you've just shared with us. On behalf of the Society of Engineers of Peru, and its chapter of Economist Engineers, and also on behalf of *EIR*, we would like once again to thank you for your wise words.

Thank you very much; and with us, all of Peru thanks you.

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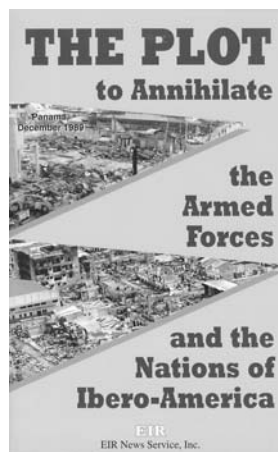
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—James Zackrisson, *Defense Force Quarterly*

LaRouche Warns Of Ongoing U.S. Coup d'État And War

by Jeffrey Steinberg

On Oct. 9, four weeks after the Sept. 11 irregular warfare assaults on the World Trade Center and the Pentagon, Lyndon LaRouche returned to the Jack Stockwell radio show in Salt Lake City, Utah, to shed light on the grave strategic crisis facing the nation and the world. As the first word of the attacks was reaching the American people on Sept. 11, LaRouche had been live on the air with Stockwell, providing the first assessments of the attack, and warned against the “rush to judgment” that the covert strategic assault was the work of Osama bin Laden.

LaRouche warned that no successful response to the hideous acts of Sept. 11 is possible without fully probing the “enemy within” aspect of the attack. The transcript of the LaRouche-Stockwell dialogue of Oct. 9 is available on the EIR website, www.larouchepub.com, and LaRouche’s Presidential campaign website, www.larouchein2004.com. However, LaRouche’s analysis of the ongoing threat of a coup d’état by means of irregular warfare inside the United States, and his warnings of a full-scale “Clash of Civilizations,” pivoted on an Israeli-provoked Mideast conflict, require immediate publication here.

‘A Terrible Mess’

LaRouche assessed the ongoing military operations against the Taliban and bin Laden’s al-Qaeda organization inside Afghanistan: “Well, we’re now in a mess. We’re in an official war, which actually is being fought by the British and the U.S. forces. It’s going to be a terrible mess, because you’re dealing in an area of the world, which is not conducive to successes in fighting a war. There is this semi-desert area, Afghanistan, part of the roof of the world, where the British, for more than a century, played a ‘Great Game’ against Russia, and other forces, in this area of desolation, which is just an area for any occupying power for trouble-making among

the neighboring nations. So, this is not going to be an easy go.

“The next question, which has divided Washington, including the Administration, is to whether they’re going to take the pressure from those in the Israeli Defense Forces leadership, and Sharon, along with some people in the United States, to go to bomb every neighboring territory in the Middle East, which would be absolute insanity.

“The danger here, is two things: On the one side, a real part of the problem, is the fact that, for over a quarter-century, the United States has been involved with Britain, and with some forces in Israel, in building up, among themselves, more or less cooperatively, something that has come to be called ‘international terrorism’—it was called Iran-Contra, other things. The operation began with Brzezinski’s operation while he was National Security Adviser, in getting the United States, through recruiting people from Islamic Jihad and groups of that type, to go into Afghanistan, to fight a war against Soviet influence, trying to undermine the Soviet Union by getting this kind of war going, inside Afghanistan. As a part of that operation—in its larger form, such as the general Iran-Contra, Guatemala, so forth and so on; the United States, Britain, and, to some degree Israel, and also others—have participated in creating a phenomenon, which some people like to call ‘international terrorism.’ It’s actually irregular warfare.

“But, what we’ve created is actually a rag-tag of ex-military veterans, in retirement, or now working as mercenaries; various kinds of volunteers, typified by the rag-tag around Osama bin Laden, typified by the Taliban government of Afghanistan, which is more than a general nuisance for the world. One of the key problems, here, is, that this environment, of this rag-tag of mercenary and terrorist and whatnot forces, has become like a disease—a planetary disease, which lives, largely, financially, logistically, on illegal weapons traf-

ficking, or what should be illegal weapons trafficking, and drug trafficking. For example, the Taliban government of Afghanistan is largely financed by its sale of opium, and producing and dumping opium on the world market. You have in Colombia, the FARC, a major terrorist organization, lives in the same way. You have a problem in the Balkans, where in the Kosovo area, you have a terrorist mob, which is deployed (with the protection of some British and American influences), as a terrorist element there, largely funded on the basis of drug trafficking and similar kinds of operations.

“So, on the one hand, you do have what has been rightly identified, in the case of Osama bin Laden, and the Taliban and so forth — you do have a disease, a kind of criminal element, or what should be viewed as a criminal element, loose in the world. And, that problem should have been brought under control a long time ago. As a matter of fact, it should never have been started, if people had had their heads screwed on the right places.”

What Happened To The Security Screens?

LaRouche next addressed the events of Sept. 11, more specifically: “We have another operation, which is quite different, but overlaps that. Someone is running a fun-and-games operation against the United States, from, in part, the inside: That is, what happened to the United States, on Sept. 11 — if you view, at least the technicalities that are well-known.

“What I’m about to say, is not unknown, nor is there a lack of concern about most of what I’m saying, among relevant elements of the government, including some close to the President at this time. There may be some disagreement with some of the assessment I make of this, but, I think, on the leading elements I’ll start with, right now, there probably is not much disagreement.

“Now, politically, the administration, along with the major media, is emphasizing this Middle East-Osama bin Laden thing. That is, as much of the leading British press has said: They don’t believe any of it. That is, we all agree, I think, that Osama bin Laden is a nuisance, a disease. We agree, the Taliban thing is a problem. We agree, things like that are major problems. But, beyond that, there’s another view of the matter. We don’t think that’s the problem. We think that is a *part* of the problem — an important part — but not *the* problem.

“So, in the meantime, while the attention is being focussed on the Middle East and places like that, other things are happening: First of all, look at the security situation, as of Sept. 11. Now, there are two possible interpretations, technically, of what happened on Sept. 11. One: That, at a very high level *inside* the U.S. security establishment, people who, in one sense, are functioning as — in one capacity, are also functioning as a kind of a ‘Mr. X.’ And, these fellows, of very high capability, and knowledge, and skills, and connections, actually rigged what happened on Sept. 11. Because, there were presumably security screens, which existed, which should have prevented all, or most of that from happening. And, apparently, the screens were defeated. Or, the second conclu-

sion: They were not up.

“Now, both of these problems are serious: That is, if this thing is a product, entirely, of a coup at a high level, we’ve got a major problem, right inside the hard core of our intelligence-security establishment. *If*, however, this is not simply a product of that kind of sophistication, in running a coup, then, we have a degree of slop, built into the security system, which, in its own way, is as great a threat to the United States, as almost a major coup attempt would be at the high level. So, one of these two problems is there.

“So, we *do* have a major security problem. Some of the security things are obvious: They’re more of a military, or intelligence-security nature. Others are of a different nature. For example: We’ve had a breakdown in the number of hospitals in the United States, increasingly, since the middle of the 1970s — since ‘Big MAC’ was installed in New York City, which is the real *takedown* of the medical system. I saw this, also, in the veterans hospital system in the 1970s; the veterans hospital system was being destroyed — not all at once, but inch, by inch, by inch, by inch. So, the structure that we had built up, on the basis of the lessons of history, including those of World War II, that we built up in the postwar period, as a *health-security system*, including work to prepare us to deal with newly discovered, dangerous diseases, or a recrudescence of an established type of epidemic from the past — these kinds of defenses are being taken down.

“All kinds of security defenses, which ought to be a built-in characteristic of our system, have been destroyed, sometimes on the basis of ‘economy,’ or ‘budget-balancing.’ And, now, we find that the policy of the Bush Administration is changing, as a result of an ongoing monetary and financial collapse. And this thing is not going to be solved. There’s no automatic rebound, anywhere in the future.”

Sharon Provocation Alert

On Oct. 11, President George Bush gave a prime-time press conference. In response to a question from former dean of the White House press corps Helen Thomas, Bush reiterated his hope for the establishment of a Palestinian state, as the result of the Mitchell Commission negotiating proposals. Bush confirmed reports that an administration peace initiative in the Middle East was side-tracked by the events of Sept. 11, but that Secretary of State Colin Powell and others are working intensively to bring about a breakthrough.

LaRouche warned that even such tentative steps toward a Palestinian state would likely produce a firestorm of reaction, from within neo-conservative Zionist circles in the United States, and from fanatical elements inside the Israeli Defense Forces and the Sharon government. A move by the Sharon-IDF apparatus to provoke a major Mideast conflict, through a renewal of assassinations against prominent Palestinian leaders, perhaps including Yasser Arafat, or a new provocation at the Islamic holy sites on the Temple Mount/al-Haram al-Sharif in Jerusalem, must be considered a high probability — unless strong American pressure is brought to bear.

Peres Attacks Israeli Defense Forces Officers

by Dean Andromidas

Israeli Foreign Minister Shimon Peres launched a broadside attack against Israeli Defense Forces (IDF) Deputy Chief of Staff Gen. Moshe Yehonatan, accusing him of plotting to assassinate Palestinian Authority President Yasser Arafat, an act that would lead to a much wider regional war, in an interview with Israel's largest circulation daily, *Yedioth Aharonoth*, on Sept. 25 and 26. Peres went further, criticizing the hard-line policies of Prime Minister Ariel Sharon.

In the interview, Peres said that he was advising Sharon that "Israel should retreat to the green line [the 1967 borders between Israel and what are now the Occupied Territories] and draw Israel's borders." He said that the "world will never accept that we stay in the Palestinian territories." Going further than any government minister has to date concerning Israeli settlements, Peres said, "Let it be clear: Nobody will give legitimacy to the settlements."

Peres' comments followed a short time after a meeting with Arafat on Sept. 25, the first by a high-level Israeli official since Sharon came to power, in order to arrange a cease-fire and begin implementation of the Mitchell peace plan. Peres hopes to use the crack opened by that meeting, to get full-scale peace negotiations back on track. Yet it is clear that the IDF, Sharon, and his right-wing allies are continuing their efforts to sabotage any possibility of a successful agreement. Within hours of the Arafat-Peres meeting, the IDF launched one of its bloodiest reprisals in Rafah, in the Gaza Strip, leaving seven Palestinians dead. This reprisal had its intended effect, of continuing the cycle of violence that has left the cease-fire in tatters.

Palestinian Preventive Security Chief Mohammed Dahlan charged that the IDF attack was "a message from the Army to Peres, stating that they will never accept the agreements reached by Peres."

The Peres-Arafat meeting came in the wake of the Sept. 11 attacks in the United States, and was the result of an international mobilization by the United States, Europe, and Russia. The primary motivation of the United States has been widely interpreted as to remove the Israeli-Palestinian conflict as a stumbling block to winning Arab support for a "world coalition against terrorism." Nonetheless, the Europeans and the Russians were fully aware of the profound danger that the Israeli-Palestinian conflict represents; that in the context of a U.S. attack on Afghanistan or some other Islamic country, it threatens to explode into a "clash of civilizations" throughout the Middle East and Eurasia.

The initial pressure exerted so far by the Bush Administration on Sharon is neither sufficient, nor is it a substitute for a Middle East policy that seeks peace through regional economic development based on nation-building. Such a policy would require a radical change in the Bush Administration's geopolitical agenda, because it has not only refused to break with Sharon, but seeks to overthrow Arab governments, especially that of Iraq. The current "war on international terrorism" has made the Middle East a far more dangerous tinderbox for a "clash of civilizations."

The IDF And Sharon

In the interview with *Yedioth Aharonoth*, Peres warned of the consequences if the IDF were to assassinate Arafat. "Let's say we assassinate him. What happens after that?" Peres asked. "With all the criticism of Arafat, he is the only Palestinian who recognizes the map in which Jordan and Israel exist." Arafat's removal would pave the way for far more militant groups and a more radical leadership. "Instead of him there will be Hamas, Jihad, and Hezbollah. They will try to establish one country between Iraq and the sea."

In Israel, it is well known that Israeli Chief of Staff Shaul Mofaz has consolidated around himself a military leadership of hard-liners. First appointed under the right-wing government of former Prime Minister Benjamin Netanyahu, Mofaz had his term extended for another year by Sharon. His deputy, the target of Peres' attack, General Yehonatan, was formerly head of Israeli military intelligence, and is only one among several hard-liners who have been appointed to key posts. Others include Gen. Jerry Gershon, who was recently appointed commander of Israeli forces in the West Bank, and Gen. Doron Almog, head of the IDF's Southern Command, which is in charge of the Gaza Strip. Even more dangerous is a layer of middle-ranking officers, including those holding field commands at the brigade, battalion, and company levels who identify with the religious Zionist right wing and the settlers. Many of these officers, especially reserve officers, live in the settlements.

In a commentary in the Oct. 1 *Jerusalem Post*, David Kimche, former director general of the Israeli Foreign Ministry, backed Peres' charges. "It is an open secret that the chief of staff and his deputy are not happy with the latest cease-fire, which they feel, limits their freedom of action against the Palestinians. It is well known that they believe that more force should have been used to quell the Intifada," Kimche wrote.

Kimche said that even when the Labor Party's Ehud Barak was Prime Minister, he came into conflict with the IDF over its refusal to implement his directives concerning IDF rules of engagement in the territories.

Kimche accused the IDF of sabotaging the latest cease-fire. He wrote, "Within hours of Peres' meeting last Wednesday with Arafat, four Palestinians had been killed, including a 16-year-old boy, and some 30 wounded when the IDF entered Rafah and destroyed a number of houses. The action had been mounted in the wake of a Hamas attack on an IDF outpost



Israeli Foreign Minister Shimon Peres (right) accused Israeli Defense Forces Deputy Chief of Staff Gen. Moshe Yehalon of plotting to assassinate Palestinian Authority President Yasser Arafat (left), an act that would lead to a much wider regional war.

nearby. The army was acting according to previous decisions that every attack against an Israeli target should be answered in kind. Yet this was one of the fiercest and most deadly of IDF incursions into that sector, coming immediately in the wake of the Peres-Arafat agreement for which the Army makes no effort in hiding its dislike. Could it be that there was a link between the fierceness of the riposte and the dislike of the agreement?"

As of this writing, the IDF and Sharon continue a policy whose ultimate aim is to crush the Palestinian Authority. While it is true that Hamas and Islamic Jihad continue attacks on Israeli targets, the IDF counterattacks are nothing but ruthless reprisals, which constitute war crimes under the Geneva Accords. Furthermore, they are aimed at making it virtually impossible for Arafat to crack down on his own militants without losing his political credibility. When two Hamas militants attacked a Jewish settlement in the Gaza Strip, killing two Israelis, the IDF response was to launch a bloody reprisal by cutting a kilometer-deep no-man's land into Palestinian-controlled territory bordering the settlement. They killed six Palestinians, including civilians, destroyed agricultural land, police outposts, and private homes, leaving hundreds of Palestinians homeless.

Fear Of Peace

In reaction to this reprisal, Palestinian Information Minister Yasser Abed Rabbo, speaking on the Voice of Palestine Radio, charged, "The Israelis did this because they feared there was progress toward a political breakthrough. That worried the gang that controls the occupation army and the government."

The IDF continues to engage in activities in the territories which are clearly preparations for large-scale military operations, as soon as Sharon gives the order. The IDF continues

to lay siege to important Palestinian cities, including Ramallah and Jenine. The term "siege" is no metaphor. What is involved are not just a few roadblocks and positioning of a few tanks, but the construction of siege works in the full, classical sense of the term, including building huge mounds of earth and stone, trenches, and firing positions. Drawing the obvious conclusion that the IDF is preparing a full-scale assault from such positions, the Palestinians have constructed their own makeshift tank traps and other defenses.

Without support from the United States, Peres will not break with Sharon, nor will he have any influence on Sharon's policies. The Israel peace camp is just too weak. The recent leaks in the *Washington Post* and the *New York Times*, that the Bush Administration had been considering launching a peace initiative, but was deterred by the Sept. 11 attacks, caused nary a ripple in IDF policy. Even a statement by President George W. Bush himself, that "the idea of a Palestinian state has always been part of a vision" of a peace agreement, was seen in Israel as more of an attempt to appease the Arab states, than to put pressure on Sharon.

This is not surprising, for two reasons. The first is the continued disarray and internal fights within the Bush Administration since the Sept. 11 attacks. The second is the mobilization of the right-wing pro-Israel lobby in Washington following Bush's statement and the press leaks on proposed peace initiatives. This came in the form of an advertisement published by Tim Wuliger and Howard Kohr, leaders of the American-Israeli Public Affairs Committee (AIPAC), attacking those who encouraged the President to meet with Arafat and declare his support for a Palestinian state as "sabotaging America's war against terrorism." The ad is an obvious threat levelled at the upcoming Congressional mid-term elections, because AIPAC is one of the leading contributors to Congressional campaigns.

Eurasian Diplomacy Under Strain Of Afghanistan Crisis

by Mary Burdman

On Oct. 9, as the U.S. and U.K. military assault on Afghanistan entered its third day, the nations of Eurasia, particularly Russia, China, and India, carried on intensive “telephone diplomacy,” in an urgent effort to keep the crisis under some kind of control, and prevent the whole region from being drawn into a general conflagration. These nations’ leaders have all supported an offensive against international terrorism, stating they oppose “terrorism of any form,” and have condoned at least a “limited” U.S.-led military operation in Afghanistan. On the other hand, they are acutely aware that in choosing this “supportive” approach, they are walking a road that is fraught with great danger. In fact, the U.S. and British war on Afghanistan is driving the strategic situation in Eurasia, which was already unstable enough, over the edge.

The Eurasian leaders want *effective* measures to be taken to end the plague of the “three forces”—terrorism, separatism, and extremism—which have threatened the security of the region for 25 years, after the operations of the U.S. Carter-Brzezinski Administration first launched what has become the vast “Afghansi” terror and weapons- and drug-running operation. This would be, as the Shanghai Cooperation Organization nations stated at their founding summit in June, in the vital security interests of every nation in Eurasia.

But as U.S. statesman Lyndon LaRouche points out, the political and economic system still dominating the world is breaking down completely. The leading institutions of that system are in a desperate fight for their existence, and can, if not stopped, take the rest of the world down with them. This is driving the internal U.S. coup process, by “rogue” forces inside the United States responsible for the Sept. 11 attacks on the World Trade Center and Pentagon; and is driving the assault, via Afghanistan, into the heart of Eurasia.

Risks To Russia’s Policy

EIR reported the significance of Russian President Vladimir Putin’s diplomatic initiative toward the West, epitomized by his remarkable speech on Sept. 25 to the German Bundestag (see *EIR*, Oct. 5, 2001), which clearly reflected the strategic thinking contributed by LaRouche. But it is not enough. The agenda publicly presented so far, not only by Russia, but

also by China, India, Iran, and others, remains essentially in the context of the current, collapsing political and economic system.

Putin is maneuvering to “keep the door open,” for the case the presently irresistible power of the Anglo-American “empire,” might crumble under the effects of total financial collapse. But dealing with a United States whose leadership is lurching from one untenable operation to the next, the Eurasian nations could themselves be pulled into a quagmire. For example, an initially “strictly limited” deployment of American military forces to Uzbekistan or Tajikistan, condoned by Russia at the moment, could easily turn into a prolonged or even permanent presence. This would be unacceptable for Russia’s military and security apparatus, as well as for China. Informed sources have pointed to the fact, that Putin himself might be running a considerable political risk inside Russia.

The Central Asian republics face fragile economic, political, and security conditions, internal and external, and have had to battle the military clashes which “Afghansi” forces have provoked repeatedly in Tajikistan, Uzbekistan, and Kyrgyzstan. Now, the U.S.-British war against Afghanistan threatens to set off far worse conflicts throughout the region, spilling into Russia. Being drawn into a “clash of civilizations” with the Islamic world would have fatal consequences for Russia.

China, too, has a Muslim population in its western regions—now the focus of its internal development policy—and has long dealt with separatist movements, not only in Xinjiang, but also in Tibet.

Especially explosive, is the extremely fragile situation in Pakistan, a nation of over 155 million people, and one with nuclear weapons. If the direct U.S. deployment into Pakistan results, as it so easily could, in the collapse of the current government and the disintegration of that important nation, the crisis will threaten the entire region. The danger to the security of India, a nation of 1 billion people, with its own population of well over 100 million Muslims, is extreme, as Prime Minister Atal Behari Vajpayee and his External Affairs Secretary Jaswant Singh have made starkly clear to both Washington and London. Were Pakistan to fall into chaos, or

be taken over by a violently anti-India regime, a confrontation between India and Pakistan would become almost unavoidable.

The Telephone Diplomacy

Awareness of these dangers precipitated the intense telephone diplomacy on Oct. 9, among Russia, China, India, Egypt, the Arab League, Qatar—the current president of the Organization of Islamic Conference—and other nations. Russian Foreign Minister Igor Ivanov emphasized to his Chinese counterpart Tang Jiaxuan that day, that it is impossible for military action to end terrorism. Russia and China have consistently emphasized the importance of the United Nations, and stated that “military strikes should have clear targets and avoid action spreading to other countries.” This was a direct response to the letter delivered to the UN by U.S. Ambassador John Negroponte on Oct. 7, which claimed that for alleged “self-defense,” the Bush Administration might find it necessary to take “further actions with respect to other organizations and other states” than just Afghanistan. Iraq is considered a most likely target.

The international community should support the establishment of “a coalition government with a wide-ranging basis” in Afghanistan, said Ivanov. Russia wants to expand cooperation with China, to jointly safeguard international security and stability. Tang confirmed this cooperation; the Chinese Foreign Minister also called for an Afghan coalition government which would be “able to cooperate with neighboring countries in a friendly manner” for the sake of the Afghan people and regional peace and stability. “China and Russia have the same stance and interests on the issue of anti-terrorism,” Tang said. He compared the “severe harm” that Russia has suffered from the separatist operations in Chechnya, to the “East Turkestan” separatist groups in China’s westernmost region of Xinjiang.

Tang also spoke by telephone with Foreign Minister Sheikh Hamad of Qatar, who was about to head an extraordinary Oct. 10 meeting of foreign ministers of the 56-member Organization of Islamic Conference. Tang told Sheikh Hamad, that Islamic countries, as well as China, were also victims of terrorism, and that China was “clearly opposed to associating terrorism with any religion, nationality, or region.”

China And India

The massive U.S. involvement in Pakistan is very problematic for China, a long-time ally of Pakistan. Beijing has taken strict security measures. On Oct. 9, it closed its narrow border with Afghanistan’s Wakhan corridor, and closed the neighboring area in Xinjiang to foreigners. China also closed the Karakoram Highway, which extends from Kashi in Xinjiang, to Islamabad, for an indefinite period.

Amidst the Oct. 9 diplomacy, Tang also spoke with Indian Foreign Minister Jaswant Singh. It had been made known two



Russian President Putin’s support for the United States’ proclaimed international anti-terror crusade, carries considerable risks for Russia strategically, and for Putin himself politically.

days earlier, that Chinese Prime Minister Zhu Rongji, who was to pay an important visit to India on Nov. 9-11, would postpone the visit, in view of the international situation. Singh, scheduled to visit Beijing beginning on Oct. 11, also delayed his visit, because of the “evolving” situation. But during an hour-long telephone discussion on the regional situation and China-India bilateral relations, Tang told Singh that the Chinese Foreign Ministry is re-scheduled Zhu Rongji’s visit for early next year, and hopes that Singh would be able to come to Beijing at the earliest possible date.

India is in a particularly critical situation. Despite the diplomatic campaign mounted by U.S. Ambassador to India Robert Blackwill, a member of the Bush Administration inner circle, India’s leaders are well aware of the implications of the massive U.S. deployment into Pakistan. India knows, better than anyone, Pakistan’s political and economic instability, and the vulnerability of Islamabad to political manipulation because of heavy financial injections from Washington. The terrorist operations based out of Pakistan, have aimed at destabilizing India, Russia, China, and the nations of Central Asia. For this reason, in contrast to its views on the Middle East, Washington does not—at this time, at least—consider these terrorists as opposing its strategic interests. Furthermore, the end to sanctions would mean a restored flow of military aid from the United States to Pakistan—and this has India greatly concerned.

The Indian Prime Minister already on Sept. 20, was pub-

licly warning that the United States must look to the Pakistani-based terrorist operation, if it genuinely wanted to resolve the problem in Eurasia. In an interview with the *Times of India* published on Sept. 20, Vajpayee said that the United States must look at “whether terrorism is a global phenomenon, or whether it is restricted to just one individual. . . . Afghanistan is a symptom. America will have to look well beyond it . . . if it wants to get rid of terrorism root and branch.” Washington might appreciate India’s offers of support, but there was no indication of any reciprocal understanding of “India’s bitter experience of terrorist activities on its soil.”

Then, on Oct. 1, a brutal attack was launched directly on the *government* of India’s Jammu and Kashmir state. Militants bombed and assaulted the State Assembly building, when many government leaders were inside, killing at least 38 persons and destroying the building. The Delhi External Affairs Ministry immediately called on Pakistan to “rein in” such terror groups as the Jaish-e-Mohammad (JeM)—which first claimed and later denied responsibility for the assault—and the Lashkar-e-Toiba, which operate in Pakistan and Pakistan-occupied Kashmir. “The terror attack . . . once again shows that notwithstanding the cosmetic steps Pakistan may take against a few organizations under international pressure, it continues to be a country that aids, abets, and sponsors terrorism and terrorist networks,” the External Affairs Ministry stated.

Singh, then on a trip to Washington, delivered a letter to Bush, which was “so grave” that Bush held an unscheduled 40-minute meeting with Singh during the latter’s conference with National Security Adviser Condoleezza Rice. Singh did get assurances from the Bush Administration that India’s concerns would be considered, but senior officials adhered obsessively to the mantra that “aAl-Qaeda” and “bin Laden” are the U.S. targets, with no mention of the broader menace of the international Afghansi operation and its infrastructure in Pakistan. The U.S. State Department did agree to take a “very close look” at Jaish-e-Mohammad but that was it. While Pakistan’s President Gen. Pervez Musharraf did call Vajpayee on Oct. 8, and a visit of Singh to Islamabad, at Pakistan’s invitation, was even mooted, India remains extremely cautious, and determined to make its basic conditions for any dialogue with Pakistan, a matter for discussion with other world leaders.

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India’s Dialogue With Russia

While both U.S. Secretary of State Colin Powell and German Chancellor Gerhard Schröder are awaited in New Delhi the week of Oct. 8, India’s main dialogue has been with Russia. Vajpayee’s upcoming November trip to Moscow for a summit meeting to sign a Declaration of Strategic Partnership, is still scheduled as of this writing, despite the volatile international situation. Immediately after Sept. 11, Indian National Security Adviser Brahesh Mishra went to Moscow, with Afghanistan a leading issue—as it will be during Vajpayee’s visit. At the same time, Russia is expanding its dialogue with China and Iran on this critical problem.

India’s Ambassador to Moscow K. Raghunath is being kept abreast of Russia’s post-Sept. 11 security dialogue with the United States, while the two nations’ Home Ministries are engaged in “fruitful cooperation,” Russian Ambassador to Delhi Kadak announced on Oct. 10.

On Oct. 8, right after Negroponte’s letter was delivered to the UN, President Putin telephoned Vajpayee to discuss the effects of the U.S. military strikes. Putin’s press service reported that they “stressed the need for consolidation of international action against terrorism” and opposed “the policy of double standards which can hamper unity in the anti-terrorist coalition.”

This broad diplomacy includes the leaders of Central Asia. On Oct. 10, there was an extraordinary meeting of experts of the Bishkek Anti-Terror group of the Shanghai Cooperation Organization, to discuss the “large-scale retribution actions” of the United States against Afghanistan. Kyrgyz Foreign Minister Muratbek Imanaliev stated that Moscow and the Central Asian capitals are in almost daily discussion, on how to prevent escalation of terrorism in the region.

President Putin, Chinese President Jiang Zemin, and other Asian-Pacific leaders, will have the opportunity to meet President Bush on Oct. 20-21 in Shanghai, at the Asia-Pacific Economic Cooperation Forum (APEC) summit. The Japanese press reports that APEC will issue a joint statement against international terrorism. Were Putin, with Jiang’s support, to demand that that statement address the worldwide financial breakdown collapse, and the profound threat to the security of every nation this collapse poses, there could be the opportunity to “judo” the ongoing crisis. Friedrich Schiller’s great tragedy, *Don Carlos*, features a series of characters, King Philip II, the Marquis Posa, the Infante Don Carlos, all “dealing” with each other on vital matters of state—all from totally different viewpoints and purposes, all of which were far too limited to have any effect on the critical situation inside Spain and with the Netherlands. In many meetings among these characters, each thinks he has bent the other to his own purpose. In the end, all are, in one way or another, destroyed. The nations of Eurasia must not repeat the mistakes of *Don Carlos*!

'Anti-Terror Coalition' Is Stumbling Toward The Clash of Civilizations

by Muriel Mirak-Weissbach

Since the launch of the “anti-terror” war in Afghanistan, press outlets have been celebrating the birth of a new-found “coalition” among nations which had formerly been Cold War adversaries. In particular, the cooperation of Russia and the Central Asian republics—Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, and Kazakstan—as well as neighboring Pakistan, has been hailed as historic. The fact that the Islamic Republic of Iran has not been categorically opposed to anti-Taliban operations, has been read (or rather mis-read) as a signal that Tehran is now on board.

Press propaganda aside, the reality is far more complex. Each of the states sharing a border with Afghanistan, has well-grounded reasons to wish that the outlaw Taliban regime, and everything it represents, from irrationalist fanaticism, to weapons smuggling and drug trafficking, were removed from the map, as swiftly and cleanly as possible. Already from the period of the anti-Soviet mujahideen campaign launched by President Jimmy Carter’s National Security Adviser Zbigniew Brzezinski, Afghanistan had become a festering sore for Central Asia. Following the takeover by the Pakistani and U.S.-backed Taliban in the 1990s, culminating in the capture of the capital Kabul in 1996, the country became the headquarters, training grounds, and logistical center for not only drugs and weapons smuggling, but “Islamist” insurrectionary forces, aimed at destabilizing the governments and nation-states of the entire area.

In point of fact, overlapping groups of these countries have been working for years, to stem the flow of illegal arms and drugs, and to protect their borders from Taliban-linked insurgents. The Shanghai Five countries (now grown to become the Shanghai Cooperation Organization), and the Dushanbe Initiative, are two such groupings. On the purely diplomatic level, there has been a mechanism known as the 6+2, a grouping under the aegis of the United Nations which brought together Russia and the United States, along with Afghanistan, and its neighbors Pakistan, Uzbekistan, Turkmenistan, Tajikistan, Iran, and China. This initiative has not made progress over the years, due to U.S. and Pakistani obstructionism.

Now, since the United States has declared its war on terrorism, together with Tony Blair’s Britain, and Pakistan has

been forced to go along, a massive military campaign has begun, allegedly to root out the terrorist networks of bin Laden, and overthrow the hated Taliban regime.

As Lyndon LaRouche was the first to caution, following the Sept. 11 events, any such military action in Afghanistan could unleash a process which would destabilize the entire region. This, he said, was precisely the intention of the coup-plotters behind the Sept. 11 attacks: to set the Eurasian continent aflame in a clash of civilizations.

The Afghan Catastrophe

Afghanistan has been devastated by decades of war, from the Afghansi/Soviet conflict in the 1980s, to the internecine tribal warfare following the Soviet withdrawal, to the Taliban takeover of 90% of the country, in the 1990s. The Taliban completed the destruction of the country’s economy, by transforming it into a vast drug plantation, which produced 80% of the opium and heroin flooding the Eurasian continent. Recognized until recently by only three governments—Saudi Arabia, the United Arab Emirates, and Pakistan—the country was effectively isolated internationally, and no investment or trade or infrastructure development has been possible.

Large masses of the population, fleeing the maniacal Taliban warlords, have abandoned the cities and ended up in refugee camps, depending on international aid organizations for mere survival. Others have fled to neighboring countries: 2.5 million to Iran, and 4 million to Pakistan, where they also live in refugee camps, handled by aid agencies.

UNICEF reported to the German paper *Tagesspiegel* on Oct. 5, that already before Sept. 11, Afghanistan was a catastrophe. For 5 to 6 million people out of 25 million, the situation was already life-threatening, and one million had no home at all. UN special envoy Nigel Fisher, reported, “From mid-November on, many regions will be completely cut off. Then, everything will change. Then, many people will starve or freeze to death.” Fisher, a Canadian, painted a grim picture: “Imagine a Canadian Winter with snow and -20°C , but without shoes, without warm clothes, without warm houses, even without blankets. And in addition to that, there is not even anything to eat. It will be terrible.”

The UN Food and Agriculture Organization reported that



U.S. and British bombers and missiles are not only hammering Afghanistan's Taliban; they are also blasting at the pillars of stability of numerous governments in the Islamic world, which had themselves been fighting "Talibanization."

particularly in the North and northeast of the country, 2 to 3 million people, between 30 and 40% of the population, had left their villages already, in part due to drought, which has left the lakes and rivers dry. The worst situation is reportedly in Faryab province, where 700,000 out of a population of 1 million are threatened with starvation.

On Sept. 12, after the drumbeat against Afghanistan started, all aid organizations evacuated their personnel. This meant that even those housed in refugee camps could not be fed. The UN High Commission for Refugees estimated that 1.5 million additional people would be looking for refuge in neighboring countries in the coming days and weeks.

Both Pakistan and Iran, which have enormous refugee populations, mainly Afghans, announced they could not handle further inflows. Not only do these countries fear that, among the refugees, Taliban fighters would try to infiltrate; they are simply at the limit of their abilities to house masses of more refugees. Iran has tried to construct camps on the Afghan side of the border, but, as Iranian officials complained, the Taliban were sabotaging this effort.

When the bombardments began, the United States announced that it was simultaneously dropping food and aid packets over the land. As humanitarian aid organizations, among others, were quick to point out, this was a cruel farce: Not only is the food being dropped over mined areas (there are 10-15 million mines in Afghanistan); not only is it impossible to know who will receive it; but the amounts of aid foreseen are pathetic. Were the United States to deliver the 2 million packets of food it has planned, all at once, it would

give one-third of Afghanistan's hungry food for one day.

Thus, even if the Taliban were not to trigger insurrections in neighboring countries, through their assets, the mere fact and dimensions of the refugee flows, and the feared mass deaths through starvation, would suffice to destabilize the entire region.

Pakistan On The Brink

The first country to be shaken by the ongoing war, is Pakistan. Mass protests had rocked major cities, especially Quetta and the capital Islamabad, as thousands of Pakistani and Afghan refugees manifested solidarity with the Taliban. The government had to mobilize troops and police against the crowds, and arrest several religious leaders, in an attempt to maintain control. If the war continues against Afghanistan, there is a real danger that the ethnic Pushtuns in Pakistan, who represent an enormous force, will take up arms, and call for the creation, with the Taliban, of a Pushtunistan.

In addition to the support for Taliban among large parts of the population—and not only among ethnic Pushtuns—there is a significant portion of the Pakistani military and intelligence establishment, which supports the Taliban, largely its creature. The fear that these layers could rock the boat, led President Gen. Pervez Musharraf to announce a major shakeup in both the military and the Inter-Services Intelligence on Oct. 9.

No amount of purges, however, can stabilize an inherently uncontrolled situation, and there is every reason to expect that attempts will be made to overthrow Musharraf. Once the

bombardments had begun, he manifested his nervousness in a press conference. Musharraf said, "I certainly think the operation is not over. It will carry on. I only hope it will be short." Asked how this cohered with President Bush's statements about a long war, he replied, "In this environment, the targetting is Osama bin Laden. . . . If the targetting is correct and the results of the operations are achieved against those targets, it can be finished in a day or two"!

Musharraf made clear his real concern is that, if the Taliban were defeated, the Northern Alliance, backed by Russia and Iran, may reap the benefits. He reported to the press, that he had told Blair and Bush that "this action should not be allowed to be taken advantage of by the Northern Alliance."

President Bush responded the following day, with the crude statement, that he "did not know" who had told Musharraf the war would be short.

General Musharraf is in an impossible situation.

Those Central Asian republics, such as Uzbekistan, Tajikistan, and Kazakstan, which have reportedly agreed to support the U.S.-led operation, are now targets of the Taliban. Following reports that U.S. troops were deployed to Uzbekistan on Oct. 6, the Taliban threatened to invade the country. The Uzbek government responded by enhancing security and sending its troops to the border. Although the Taliban's claims of having 10,000 troops ready for an invasion are wildly exaggerated, Russian experts estimated that a small force of guerrillas sneaking across the border, could generate problems. Last year, armed insurgents of the Islamic Movement of Uzbekistan (UMI) killed numerous Uzbek soldiers, and came within 100 kilometers of the capital, Tashkent. They also attempted to assassinate President Islam Karimov.

Tajikistan was wracked by civil war for years, perpetrated by Taliban-linked Islamists, before a Russian-Iranian intervention established peace. Russia still maintains 25,000 military forces to protect the Tajik border, from insurgents and refugees.

Iran's Little-Known Drug War

Iran is not a member of the "anti-terrorist coalition," but it has been a sworn enemy of the Taliban regime from the onset. This is not primarily due to sectarian considerations—Iran is Shi'ite, as opposed to the particular brand of Sunni Islam that the Taliban allegedly follow—but rather, in opposition to the massive flows of illegal drugs that have penetrated Iran, from Afghanistan. Official statistics say about 2 million Iranians, of a population of over 60 million, have become addicts.

Iran has mounted the most ambitious anti-drug effort of any country in the region, which has been acknowledged by the United Nations narcotics department. The opium produced in Afghanistan and Pakistan for the European market, travels largely via Iran, the Balkans, and Turkey. To stop this transit traffic, Iran has erected a border fence, 2,000 kilome-

ters long, on its eastern border. A 700 km wall has been built in the desert region, and 290 km worth of trenches, 4x5 meters, have been dug, to halt any vehicle or even animal traffic. In mountainous regions, barricades have been built, to block passage through valleys.

In addition, the government has deployed 30,000 men, from the police and revolutionary guards, along its borders. These are the forces which engage in battle with the drug traffickers, who are much better equipped, with vehicles of all sorts, and armed with heavy artillery, as well as, reportedly, U.S. Stinger missiles. In the military engagement, which takes place constantly on the borders, Iran has lost 3,000 anti-drug fighters over the past years.

The efficiency of Iran's anti-drug operation is impressive: It is estimated that 80% of the confiscated opiates worldwide, have been seized by Iranian forces. The dimensions and achievements of the anti-drug effort make clear that the country considers the drug plague to be a threat to its national security.

Given this background, it is understandable that Iran would welcome the elimination of the Taliban menace. However, there is great concern in the Iranian government, that the ongoing operations against Afghanistan not only will not reach the mark, but will trigger religious warfare worldwide. The Iranian authorities have stressed, that any attacks in Afghanistan must be limited to terrorist installations, sparing civilians, and that no other countries be targetted. They have supported calls for an international conference on terrorism, and urged the UN to play a greater role. Iran's position was upheld at a special meeting of the Organization of Islamic Conference (OIC) held in Qatar Oct. 10.

The clearest indication that the Iranian leadership is not falling into the trap of the "anti-terrorist coalition," is its continuing efforts to deepen Iran's strategic relationship to Russia. Not coincidentally, just prior to the air war against Afghanistan, Iran's Minister of Defense Rear Adm. Ali Shamkhani, travelled to Moscow, to finalize defense agreements. On Oct. 2, he and Russian Defense Minister Sergei Ivanov signed a bilateral defense and military cooperation pact, which includes deals worth \$300 million a year. The pact consolidated agreements made in March, for Russia to provide Iran with \$7 billion worth of arms over the next years.

According to ITAR-TASS news agency, which cited Russian military-industrial complex sources, Iran wants to protect its 936 km border with Afghanistan, with Russian defense equipment. The equipment is designed to help stop the flow of narcotics from Afghanistan, and defend anti-drug border guards.

Ivanov stressed that both countries have been fighting terrorism and narcotics for a long time, as perceived threats to regional and global security. Shamkhani noted that those countries complaining about terrorism today, had been its supporters until yesterday, referring to past and recent West-

ern backing for the Taliban. Both ministers emphasized the importance of bilateral cooperation for security in the Caspian Sea region and Caucasus, as well as Central Asia, and they reiterated their support for the Northern Alliance in Afghanistan.

The Broader Islamic World

Not only in Pakistan have massive anti-U.S. demonstrations taken place; Malaysia and Indonesia are also tense. Reports (though unconfirmed) that the United States was considering these two nations as on the list of states harboring terrorists, and therefore, potentially, targeted for attack, only fuelled the anti-U.S. ferment.

The Palestinian Authority was hit by extremely dangerous protests, during which desperate Palestinians raised pictures of Osama bin Laden, and expressed their solidarity. Palestinian police deployed to calm the protests, fired on the crowd, and three were killed. PA President Yasser Arafat's attempt to support the anti-terrorist campaign, has placed him in an impossible dilemma, and anything could happen—from assassination attempts against him, to civil war among the Palestinians.

Elsewhere in the Arab world, tensions have been red hot, since the air war began. In Egypt, despite official bans of protests, 4,000 students demonstrated in Cairo. Egyptian authorities arrested a large group of suspected extremists from the Jihad movement, linked to al-Qaeda, who were reportedly planning attacks. In Lebanon, government circles expressed fear, after the United States issued a list of 22 most-wanted terrorists, including the name of a Hezbollah leader. The implication was that Lebanon, or Iran, could be targeted as a result. In Jordan, extensive police and military measures, as well as tightened legal restrictions, have been introduced to control public protests. In Saudi Arabia, a visit by British Prime Minister Tony Blair was cancelled, due to the Saudis' concern that it would spark uncontrollable reactions. Friction has been reported between the Saudi royal family and parts of the Wahabite clergy, as the latter still supports bin Laden.

In short, the aerial bombardments launched by the United States, have already ignited a clash of civilizations, throughout the Islamic world, and the next casualties may well be those "moderate" Arab governments which have been trying to resist extremism.

Post-Taliban Afghanistan

Although there are no indications that the ongoing aerial bombardments will succeed in eliminating bin Laden and al-Qaeda, a debate has already broken out, regarding a post-Taliban political arrangement for Afghanistan. One option is for an all-party government, with representatives from all the tribal groups in the country, to be formed through the Loya Jirga, or assembly of tribal chiefs. There are, however, divergent views as to who should convoke the assembly, and who the components should be. The 86-year-old former King of

Afghanistan Zahir Shah, is one candidate, who has already been contacted in Rome by a State Department representative. The King, presented as a unifying force, is, however, not universally supported in Pakistan, nor his own country, which he left 30 years ago.

Then there is the idea that Tony Blair's adviser, Martin Wolf, has frankly called a "new imperialism." According to the Oct. 11 *Daily Telegraph*, Blair's neo-colonialism would involve establishing a mandate, or an international protectorate over the country, until a government can be formed (see article in this section).

Given the dynamic that has been unleashed in the region, it is more probable that the post-Taliban situation will be one of chaos, in and beyond Afghanistan's borders. Inside the country, as the Pakistani government fears, in a vacuum created by the fall of the Taliban regime, the old warlords could engage in renewed civil strife. There are reports to the effect, that a new coalition of 45 parties and organizations, has been formed, in the Afghan National Solidarity Movement. This group of Afghan refugees and former mujahideen, put together in Pakistan on Oct. 1, says it has 6,000 experienced fighters, plus 20,000 volunteers, whom it can deploy in a fight against the Taliban. The ANSM, which may enjoy the support of the Pakistani government, is also opposed to the Northern Alliance, and would take it on, after the Taliban were dealt with. The seeds for renewed civil war may already have been sown.

Macedonia Plays The 'LaRouche Card'

by Umberto Pascali

"The problem is that, when people say to the government of Macedonia, that you have to accept our conditions, and those conditions include changing the form of government in such a way that the sovereignty of the nation is destroyed, that's not arbitration, that's not peace negotiation, that's imperialism. And no agency has the moral right to do that." That statement by Lyndon LaRouche was part of an interview broadcast on Makedonska Televizija's prime-time news on Oct 5. The interview had an electrifying effect on many Macedonians struggling to save their country from the narco-terrorists of the Kosovo Liberation Army (KLA), and even more, from the international negotiators, or "facilitators," who have forced the government in Skopje to discuss de facto partition of the country and the subversion of the Constitution, under the guns of the narco-terrorists.

U.S. Ambassador James Pardew, better known in Macedonia as "The Cowboy," represents the worst example of this

kind of imperial negotiation. Pardew and his colleagues from NATO, the European Union (EU), the Organization for Security and Cooperation in Europe, and other supranational organizations that go under the collective label of the “international community,” have created an extremely dangerous situation. Their longstanding goal has been to prevent the Macedonia government from acting as one of a sovereign and independent country. Following the KLA armed assault—launched from the NATO protectorate of Kosovo—at the beginning of the year, Macedonia was pressed to ask NATO for “help.”

How The ‘Helpers’ Became The Rulers

However, before the direct involvement of NATO and the “international community,” the Macedonian Army had been able to push back the aggressors beyond the Kosovo borders. After the arrival of NATO, the Macedonian Army was progressively paralyzed. The “helpers” became, more and more, the rulers. The north of the country was attacked, villages were burned, the roads were taken over and blocked, and the population was terrorized and forced by violence to leave, i.e., “ethnically cleansed.” But any time the government gave an ultimatum to the narco-terrorists, the “facilitators,” from Ambassador Pardew on down, forced the government to stop, in the name of “peace” and negotiations. The “international community” even organized a “silent” illegal embargo of weapons against Macedonia, and in their fury against the sovereignty of the country, NATO imposed a policy that the only weapons available to the Macedonians—a few gunship helicopters—be grounded or even disarmed.

The government was finally forced to negotiate while the country was occupied and under armed aggression. The government had to promise at the “negotiating table,” that it would subvert the Macedonian Constitution. In exchange, Pardew, NATO Secretary General Lord George Robertson, the EU’s Javier Solana, and the other facilitators engineered the grotesque farce of the voluntary disarmament of the KLA, known as “Operation Essential Harvest.” The NLA (the name of the KLA in Macedonia) delivered 3,865 weapons, mostly obsolete or unserviceable, and then, on Sept. 27, organized a press conference featuring the narco-terrorists’ chief, Ali Ahmeti, in civilian clothes, who declared that the NLA had given up the armed fight.

Pardew, NATO, and Solana declared themselves satisfied, and stated that now it was the turn of the Macedonian government and Parliament to “deliver,” i.e., to accept the subversion of the Constitution and the transformation of Macedonia from a nation-state of free individuals into a bizarre tribal state composed of ethnic communities represented as ethnic communities—something that would shock anybody who knows anything about the U.S. Constitution. Furthermore, the Parliament was expected to pass a general amnesty for the NLA terrorists, and the Macedonian

Army and police were expected to refrain from entering the “rebel areas,” effectively recognizing the partition of the country.

A delegation of the International Monetary Fund added financial blackmail to the package. As if this were not enough, Pardew, according to media and other reports, presented an ultimatum to President Boris Trajkovski: The media had to stop any reference to the connection between the KLA and Osama bin Laden, because these reports could be harmful to “peace.” The shameless diktat was presented despite the fact that Pardew was the representative of a country at war with bin Laden and the Taliban. Even the elected leader of the Kosovo Albanians, Ibrahim Rugova, had denounced the close connections between the KLA and the bin Laden organization, and had revealed that an Egyptian, Mohammed al-Zawahiri, one of the closest collaborators of bin Laden, personally supervised the training of the KLA in Albania. The “disarmament,” Rugova said, is a propaganda stunt. “I am familiar with their way of thinking. It is the way of thinking of mercenaries, with no values underneath, except the determination to keep up the war.”

Macedonia’s Fight For Independence

It was later learned that the KLA in Macedonia had in fact implemented a division of labor. The guerrilla machine remained intact under the label of the Albanian National Army (ANA), while Ali Ahmeti had been ordered to set up a political cover, in the form of a political party. More evidence of the nature of this obvious game came on Oct. 10-11, when the Macedonian police entered what NATO calls “the rebel area,” in the village of Tanuse near the Albanian border, and found a large number of sophisticated weapons, one of the many such caches in the hands of the KLA after the “voluntary disarmament.”

It was clear why Pardew, the EU, and NATO did not want the Macedonia authority to venture into the “rebel area.”

If Macedonia had accepted these demands, it would have given up any semblance of sovereignty. It was an historical *punctum saliens* for the young republic. It was at this moment that a significant part of the leadership and the totality of the population decided to say no. A popular referendum on the Constitutional changes is being organized. Rumors are circulating that Pardew could be declared *persona non grata*. Meanwhile, the reaction of the “international community” is one of rage and malevolence. A donors conference has been cancelled, Solana abandoned Skopje without warning, and, according to reports, open threats are being issued.

However, Macedonia has decided to play the “LaRouche card,” and to fight for its independence. A wave of remoralization is spreading inside the country. The interview with LaRouche has been already broadcast by the main radio station and reprinted in full in the daily *Makedonia Denes*.

Leading Britons Fret That Blair Has Gone Mad

by Mark Burdman

For the first 48 hours after British Prime Minister Tony Blair's Oct. 2 keynote speech at the annual Labour Party conference in Brighton, Blair's spin-doctors arranged a massive outpouring of praise in the British media. British newspapers compared him to Winston Churchill, the 19th-Century British Empire's Lords Palmerston and Lord Gladstone, such great American Presidents as Abraham Lincoln and Franklin D. Roosevelt, and a host of other historical figures. An impression was created, that the world had just witnessed the Second Coming of the Messiah on Earth.

But beginning Oct. 4, leading British spokesmen issued violent blasts against Blair, who, they mockingly affirmed, was attempting to be "President Of The World," "Ruler Of The Universe," and/or "Missionary Of The Holy British Empire."

This thumbs-down discredited Blair just as he was concluding a hyper-manic, 10,000-kilometer diplomatic tour to Russia, Pakistan, and India, to shore up support for the latest Anglo-American adventure, in Afghanistan. The stage was thereby set, for his government to be hit by a new round of scandals, virtually hours after the bombing of Afghanistan began on the night of Oct. 7.

During a two-hour interview with U.S. radio talk-show host Jack Stockwell on Oct. 9, U.S. 2004 Democratic Presidential pre-candidate Lyndon LaRouche commented on the attacks against Blair from among high-level circles within Britain: "The British, who see themselves as, in a sense, a top dog in the world—the British Establishment—are very frank in their opinions, and they don't hesitate to say what they believe. In general, the British are, of course, for supporting what the United States is undertaking, but with reservations." LaRouche said that leading elements of the British Establishment "know a few things," from long experience in the "Asian subcontinent" region, including Afghanistan, from the heyday of the British Empire, and understand, that what is being done now, in and around Afghanistan, is "idiotic, insane. . . . Their contempt for the behavior of Tony Blair is beyond belief. Some of the language I've heard directly reported from personal conversations from some people in Britain, absolutely would shock Americans."

In the United States, "Blairomania" has been at a fever pitch, since the start of war in Afghanistan. As one wise veteran of American politics told a LaRouche activist, the irony is, that pro-Blair sentiment is much stronger in the United States, than it is in Britain.

Soon after the Stockwell interview, LaRouche added an important *caveat*. He stressed, that while the British critics of Blair are angry at "his folly," they have offered *no positive alternative* to what Blair is doing, and are refusing to address the much more fundamental issue now at stake; namely, the inevitable doom of the world financial system and the need for a solution along the lines of LaRouche's New Bretton Woods proposal. LaRouche underscored that Blair, as British Prime Minister, is the instrument and puppet of the *British monarchy*, and could not do what he is doing without the monarchy's full backing. Rather than taking on the monarchy, Blair's British critics are engaging in the British political pastime of "killing the favorite."

But since the monarchy is the chief bastion of the doomed international system, nothing effective can work, until this fundamental question, centered around the indispensable role of LaRouche, is addressed. Without this, Blair's critics will only end up replacing his folly with a folly of a different sort.

Of Hearsay And Bamboozling

Boiled down to basics, Blair's bizarre Oct. 2 Labour Party address had two leading elements.

First, was his indictment of Osama bin Laden and the Taliban, for the Sept. 11 attacks in the United States, and for their generally controlling influence in "international terrorism." That pitch was followed, a day later, by further Blair blasts in the House of Commons, accompanied by the release of a British-authored document, purporting to "prove" that bin Laden is linked to the Sept. 11 attacks. That document was best characterized to *EIR*, on Oct. 5, by a London source: "I read it, and saw no real evidence at all, but rather just hearsay. Each time the report approaches something substantive, it asserts, 'We can't tell you, because of sensitive security concerns.' What a farce! This is just an attempt to bamboozle us."

Even British figures who toe the official line, and have been involved in the current Afghan war plans, admit privately, as one told *EIR* on Oct. 4, "The bin Laden story just doesn't add up. Something else of a substantial nature must have been involved, in the planning, organizing, and command and control, for an operation of the sophistication of Sept 11."

Nowhere is the well-known fact acknowledged, that the British, American, and Israeli secret services were the ones who created and used the bin Laden/Taliban complex for the 1980s irregular warfare against the Soviet Union, *and used it since*, for various "geopolitical" operations. What has also raised some eyebrows, is the following paradox: If the British intelligence services are now boastfully taking so much credit for knowing the most intimate details about bin Laden, why didn't they act to stop the Sept. 11 attacks in the first place? Keep in mind, that some 100 Britons were killed in those attacks, much more than in any terrorist outrage of recent decades.

‘A New Imperialism’

The second element of the Oct. 2 speech is where we enter the psychedelic realm. Blair, with heavy doses of arrogance and pomposity, jumped from the bin Laden/Taliban/“war on terrorism” complex, to a global grand design, in which Britain, together with the United States, takes the lead in solving virtually every problem of the universe, from poverty and hunger in Africa to “global warming.”

The perspective was laid bare in a commentary in the Oct. 10 London *Financial Times*, by notorious ultra-“free market,” Adam Smith propagandist Martin Wolf, entitled “The Need For A New Imperialism.” Wolf praised Blair’s desire to “reorder the world,” the which “entails a transformation in our approach to national sovereignty.” This is based on dealing with “failed states” like Afghanistan, since “any failing state is a cradle of disease, source of refugees, haven for criminals, or provider of hard drugs.”

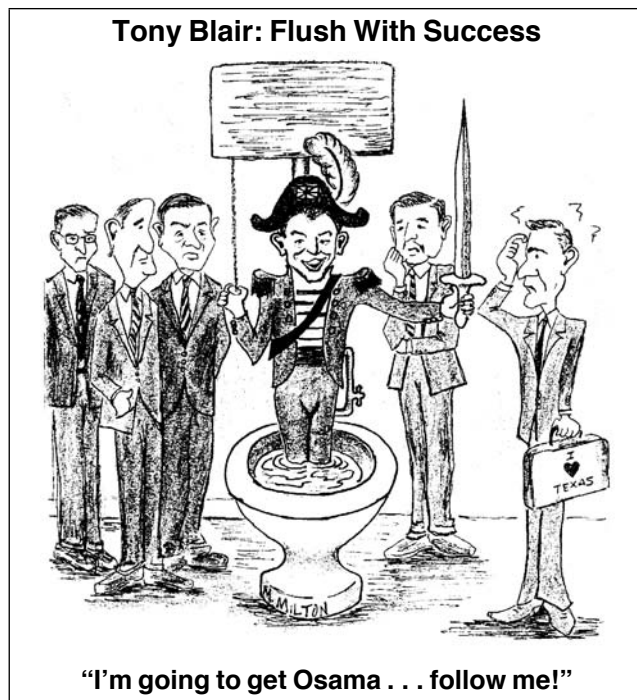
Wolf cited favorably, an article written in 1996 and re-issued in 2000, by senior British diplomat Robert Cooper, entitled “The Post-Modern State And The World Order.” Cooper has been the number-one foreign policy adviser to Blair. He wrote this tome for Demos and the Foreign Policy Centre, the two leading Blair-era think-tanks, the latter, according to some informed Brits, having superseded the Royal Institute of International Affairs (RIIA, or Chatham House) in importance, in what passes for “foreign policy” under Blair.

According to Wolf, Cooper identified the challenge as that posed by what he called the “pre-modern world, the pre-state post-imperial chaos.” Listing Afghanistan as in this category, Cooper wrote: “The existence of such a zone of chaos is nothing new, but previously such areas, precisely because of their chaos, were isolated from the rest of the world. Not so today. . . . If they become too dangerous for the established states to tolerate, it is possible to imagine a defensive imperialism. . . . The organized states may eventually have to respond.”

On Oct. 11, reporting on Blair’s visit to the Persian Gulf state of Oman, where 24,000 British troops are on exercises, the *Daily Telegraph* headlined, “Blair Sees Neo-Colonialism As Solution.” It claimed that Blair and Co. want to turn Afghanistan into an “international protectorate,” and that several models for this are already in place, including Bosnia, Kosovo, East Timor, and Sierra Leone.

‘War On Terrorism Has Gone To His Head’

For several Establishment spokesmen, all of this reeks of madness. In its Oct. 6-12 edition, the *Economist’s* weekly “Bagehot” column was headlined, “Getting Above His Station,” with the subtitle, “Tony Blair Announces That He Is Prime Minister Of The World.” An accompanying cartoon depicted a weird-looking Blair as Atlas, holding up the world. The column mocked Blair, for seeing himself “as the leader of a global alliance of good against evil.” It noted that at the Labour Party conference, where Blair should have seen himself engaged with more “humdrum” concerns, “he discov-



ered something that other people had previously overlooked: a seamless, logical connection between his own party, his own policies, his own premiership, and the future of the planet Earth.”

“Bagehot” enumerated the vast number of things that Blair “promised” in his speech, and commented: “This is ridiculous. The only plausible explanation for Mr. Blair’s planet-transforming peroration from Brighton, is that the poor man has let the war against terrorism go to his head. . . . Mr. Blair may not have frightened the Taliban, but this has been a disturbing week for Britons.”

The column is named after Walter Bagehot, the 19th-Century founder of the *Economist*, and a spokesman for the Victorian highpoint of the British Empire. The column, today, is a trendsetter, for the thinking of certain high-level elements of the British Establishment.

Such polemics were echoed in another Establishment journal, the *Spectator*, on Oct. 6. Reporter Anne McElvoy, who attended the Labour Party conference, wrote: “I asked a shadow Cabinet member—usually a loyal Blairite—what he thought of the speech. He made a swift vomiting gesture, and muttered, ‘Very gung-ho.’ Gung-ho is the phrase that has become code, in and around Labour, for ‘self-aggrandizing warmonger.’ . . . I bumped into a former minister, who started a long and unprompted rant about ‘General Blair,’ and concluded, ‘Who the f—k does he think he is?’ My interlocutor was a bit drunk, which might account for the ripe intensity of his rhetoric. But he’s got the mood of the party pretty spot-on.”

On Oct. 7, as the war dynamic around Afghanistan was unfolding, BBC World Service interviewed several experts

on military affairs and war-time propaganda. One, veteran military journalist Robert Fox, said: "To call this a war, is meaningless, this is a new theology. . . . Blair is talking out of Orwell's *Animal Farm*."

Meanwhile, from the conservative *Daily Telegraph*, to the liberal, pro-Labour *Guardian*, leading commentators have denounced Blair for promoting the worst variant of "neo-colonialism." The *Telegraph*'s Minette Marrin characterized Blair's Oct. 2 speech as "irresponsible adolescent waffle. . . . His high-minded talk sounded like the crudest of neo-imperialist cultural colonialism." This echoed what the *Guardian*'s Hywel Williams had stated on Oct. 4, when he compared Blair to Lord Gladstone, the arch-"liberal imperialist," who would mouth high-minded phrases, but who would launch foreign wars for the most crass motives, as when he sent British troops to Egypt in 1881, to secure British control over the Suez Canal.

'A Good Time To Bury Bad News'

Perhaps the most incisive blast, was that of Andrew Rawnsley, the *Observer* commentator who recently wrote a book-length exposé of the rottenness of the Blair regime. On Oct. 7, Rawnsley penned a piece entitled "Missionary Tony and His Holy British Empire," in which he commented sardonically, "The Sun may never set on World President Blair's ambitions to conquer the planet, but one day he'll have to come back to Earth." Castigating the Prime Minister as "Field Marshal Blair," and a would-be "Attorney General of the West," Rawnsley warned of "considerable danger for Tony Blair," as "he might just begin to believe some of the more hyperbolic guff."

Rawnsley charged that Blair is using the entire "war on terrorism" and "bin Laden" hype, to deflect from the miserable situation inside the U.K.: "This past year has not been good for the self-esteem of Britain. In the mocking eyes of the world, we became a plague-infested, flood-drenched rock, where the hospitals are filthy, the trains fall apart, and a motley gaggle of fuel protesters can bring the nation to a standstill, and the government to its knees. A few months ago, the *Wall Street Journal* was describing Blair's kingdom as a Third World country."

Rawnsley's polemic was amply borne out during the week of Oct. 8. As Blair was preparing to fly off to Oman on another manic foreign war-rallying excursion, the British media revealed that on Sept. 11, *only 35 minutes after the news of the World Trade Center attacks had been received in Britain*, leading Blair aide, Undersecretary of State for Transport Jo Moore, sent out an e-mail proclaiming, "It's now a very good day, to get out everything we want to bury." Or, as British press reports paraphrased it, "It's a good day to bury bad news."

On Oct. 9, Blair and members of his newly formed "War Cabinet" had to fend off massive attacks over this. Moore apologized, but refused to resign. Relatives of Britons killed

at the World Trade Center expressed outrage, that she used the word "bury," as if, as one relative said, "she were burying bad news for the government under 6,000 bodies."

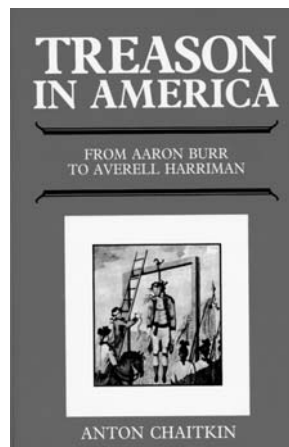
Opposition Conservative Party figures accused the Blair government of attempting to "use the world crisis, to bury controversial decisions," and demanded an investigation into whether the Moore e-mail was only one of many along the same lines. The Oct. 10 *Daily Telegraph* wrote that what she did, is a particularly egregious example of "Labour's culture of obsessive media control." The same day's *London Times* editorialized that Moore's action was "highly inappropriate," and that it expressed "cynical opportunism." BBC's political correspondent charged that what she had done, was "extraordinarily insensitive."

As *EIR* reported two weeks ago, Blair has been using the world crisis since Sept. 11, to bury all discussion of a foot-and-mouth agriculture epidemic, the which is still raging out of control. The British trains are falling apart as well, while Blair goes to war.

It can be expected that many more examples of such crass and filthy behavior as Moore's will come to the surface. The question will be, whether the political fire hitting the unconscionable Mr. Blair will soon be aimed at his stringpullers, the real neo-colonialists, in and around the British monarchical structures.

Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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Indonesia Threatened By U.S. War Adventure

by Michael Billington

Most of the nations of Southeast Asia have never recovered from the speculative looting of the 1997-98 "Asian Crisis"—the global financial crisis which broke out in Asia. Now, they are facing a far more severe crisis, in the wake of the onrushing collapse of the dollar-based international financial system. No Asian nation suffered more over the past four years than Indonesia, which, under the gun of hedge-fund speculators and International Monetary Fund (IMF) conditionalities, saw the cumulative efforts of 50 years of post-colonial development nearly wiped out, and relatively stable social relations replaced by ethnic and religious strife in several parts of the archipelago. Now, this country of more than 200 million, the largest Islamic nation in the world, is faced with a combination of the global financial collapse, and a possible social explosion in response to a U.S. "flight forward" military assault in Afghanistan, and perhaps other Islamic nations, supposedly in retribution for the attacks of Sept. 11 on New York and Washington.

International news services have completely distorted the real situation in Indonesia. In the weeks preceding the first U.S. air raids in Afghanistan on Oct. 7, there were several small demonstrations against any U.S. invasion, and some isolated calls for the expulsion of Americans and attacks on American government assets, if such an invasion were to take place. These events were prominently broadcast worldwide by the international media, feeding fear and capital flight from the country. The belligerent U.S. Ambassador to Indonesia, Robert Gelbard, who has repeatedly played the "Ugly American" role in broaching Indonesian sovereignty, publicly reprimanded the police for failing to protect U.S. interests (although there have been no personal injuries or property damage), and even encouraged U.S. citizens and businesses to leave the country. As one government official pointed out to *EIR*, the demonstrations had been peaceful, and numbered no more than 3,000 people. "In Indonesia," he said, "anyone, any group, can easily call out 10-20,000 demonstrators for any cause you can imagine. These demonstrations are puny by comparison, but when they become the breaking news story everyday on CNN and in the *Washington Post*, they create an appearance which has real effects on our country."

Indonesian Foreign Minister Nur Hassan Wirayuda publicly rejected Gelbard's call for Americans to leave as "ex-

treme," assured foreigners they would be protected, and pointed out that there had been no victims of any physical violence. Even a leading American business consultant in Jakarta, Todd Callahan of the Castle Group, told the Singapore *Straits Times*, "A lot of this is overblown. Has anybody been beaten or attacked yet? This is just a lot of bluster and rhetoric." The question is raised: Who is interested in destabilizing Indonesia?

When the U.S. commenced the bombing in Afghanistan, opposition to the war was broad-based, but the demonstrations and anti-American protests remained small. A few hundred demonstrators at the U.S. Embassy were dispersed with water cannons and tear gas when they tried to charge the protective perimeter. The government released an official response, expressing "deep concern" about the attack and calling on the United States to stick to its word that the bombing campaign would be "strictly limited," while also appealing to the population not to "overreact." The situation is tense, but remains under control.

Throwing fuel on the fire, the Oct. 10 *New York Times* printed a front-page report that "terrorists tied to Osama bin Laden's network and based in the Philippines, Indonesia, and Malaysia are among the likely targets of future covert and overt American actions." While highly unlikely in fact, the report can only serve as a provocation to further destabilize these nations.

The Spirit Of Bandung

The newly elected President of Indonesia, Megawati Sukarnoputri, in the tradition of her father, the Founding Father of the Republic, President Sukarno, began her term in office with a whirlwind tour of the fellow member-nations of the Association of Southeast Asian Nations (ASEAN), during which she revived the memory of the Spirit of Bandung from the 1950s, which had promoted the idea of Third World unity and non-alignment with either of the Cold War powers. She then insisted on carrying through on scheduled visits to the United States and Japan, despite efforts in both nations to postpone or cancel the trips following the Sept. 11 attacks.

Upon returning home, Megawati has stood her ground against the pressure from some of the Islamic parties. On the one hand, she has denied Indonesian support for any U.S. military actions. On the other hand, she is cracking down on the terrorist threat internally. When some radical groups began signing up volunteers to travel to Afghanistan in the case of a U.S. invasion, the government announced that exit permits would be denied, and that citizenship could be revoked to anyone who went abroad to fight in a foreign war without government approval. While the numbers are very small, there is a history of Afghansi-linked forces within Indonesia organizing for *jihād*. Over the past two years, thousands of men were recruited in Jakarta to an organization called Laskar Jihad, which then deployed to Indonesia's Maluku



Indonesian President Megawati Sukarnoputri meets with Japanese Prime Minister Junichiro Koizumi at the Prime Minister's official residence, Sept. 27, 2001.

islands, joining in violent religious warfare between formerly peaceful Christian and Muslim communities. This violence had been sparked by the economic breakdown, but was fed on both sides by foreign fundamentalist networks (including the London-based subversion apparatus, Christian Solidarity International), leaving thousands dead and social chaos in its wake. Although the situation appears to have stabilized in the Maluku, any repeat of such a process, either foreign or domestic, will certainly be strongly opposed under Megawati's Presidency.

Megawati is a Muslim, but, like her father, is a nationalist first, and wants to conjoin the religious and political needs of the nation. The Islamic parties were responsible for the compromise selection of President Abdurrahman Wahid in 1999 (with Megawati as Vice President), even though Megawati's party had won the largest number of votes in the election. Some Islamists objected to a female President, in addition to opposing her nationalist outlook. In July, when President Wahid was impeached and voted out of office by the legislature, these Islamic parties agreed to drop their opposition to Megawati as President, and to sustain their support for her at least until the next election in 2004. However, the cataclysmic events shaking the world today could easily shatter that pledge, if Megawati is unable to steer the nation through the economic and strategic crises ahead.

On Sept. 29, in response to some voices calling for *jihād* against the United States, the two mass-based Islamic organizations, the Nahdlatul Ulama (NU), formerly headed by

Wahid, and the Muhammadiyah, both with memberships in the tens of millions, rejected these provocations, saying that "the terrorist attacks in the U.S. were a tragedy of humanity, not a tragedy of religion."

The Economic Reality

But the economic collapse is the overriding reality driving history today. For Indonesia to survive the collapse depends on the capacity of its leaders to revive the historic role of the nation as a leader in forging unity in the region and in the world. Since the 1997 financial breakdown across Asia, Indonesia has been embroiled in internal political turmoil, playing little role in the historic efforts among the ASEAN nations and their "Plus Three" allies of China, Japan, and South Korea, to forge a new alliance and a new economic system for Asia. Now, Megawati has moved to correct that, both with her tour of ASEAN, and in her late-September trip to Japan. Japan, the largest investor in and lender

to Indonesia, is itself in a severe breakdown crisis, made worse by its capitulation to U.S. demands to print yen to prop up the falling value of the dollar as the U.S. economy tanks out. Megawati appealed to Japan to see its own self-interest in reviving its former dedication to developing the real economies of its Asian neighbors. The results of the trip are not clear, but the trip itself is an important step.

Other developments in the region during the first week of October indicate a renewed effort to act together to counter the global collapse. A few examples: The severe chill in relations among China, Japan, and South Korea following Japanese Prime Minister Junichiro Koizumi's visit to a shrine honoring the Japanese war dead from World War II, appears to be abating. China agreed to a visit by Koizumi on Oct. 7, where Koizumi expressed Japan's remorse for World War II crimes against China, while Koizumi and South Korean President Kim Dae-jung will meet the following week, with similar intentions. Also, the "Sunshine Policy" between North and South Korea, moving toward reunification, which had broken down, is back on track, if still very tentative. China, meanwhile, is working with Myanmar and Laos to make the Mekong River navigable by clearing 180 miles of rapids, while also expanding collaboration with the Mekong nations in cleaning out the Golden Triangle drug production. And, most important, as *EIR* has repeatedly documented, the Eurasian collaboration, driven especially by Russia and China, for the development of the vast Eurasian landmass through the Eurasian Land-Bridge project, is mov-

ing forward, and has taken on a new urgency with the current crisis of civilization.

‘The American Dream’

Megawati, in her speech to the diplomatic community in Washington on Sept. 19, made several references (as her father often did) to America’s greatest nation builder, Abraham Lincoln, who defended the nation’s territorial integrity and launched the cross-continental development projects that made the U.S. economy the strongest in the world. It is precisely this precedent which can guide the development of Eurasia today.

Megawati concluded with a reference to another great American, without need of mentioning his name—Dr. Martin Luther King. Here, too, the precedent is crucial for the future of Asia and the world, as her father would have agreed. She said: “Although our history and cultures are different, there is an important similarity between the Indonesian dream and the American dream. I am not talking about the American dream of ‘a family, a house, and two cars in the garage.’ I am talking about the dream of creating a great nation where all men and women are treated equal, where people of all races, ethnicity, and religion live side by side in peace and prosperity as one. America’s Founding Fathers dreamt this, and ours did too. The dream remains dear in my heart and in the hearts of millions of Indonesians.”

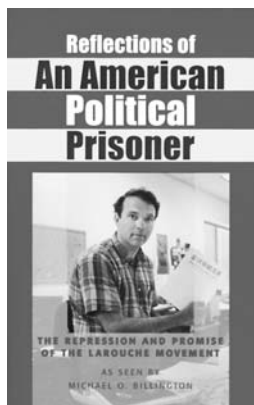
Australia Moves Toward A Fascist Police State

by Allen Douglas

In the context of the accelerating collapse of the global financial system, Australia is rapidly moving toward a Nazi-style dictatorial regime. Such a statement, about the famously “laid-back” nation of Crocodile Dundee, sports stars, and exotic vacations, with its outgoing, pro-American population, might seem outrageous, even preposterous, including to many Australians themselves. However, the evidence for such a conclusion is all in plain sight, and only one who is in acute denial that the world has now entered into a depression, which will soon become far, far worse, can deny the accompanying political reality of planned police-state repression.

As U.S. 2004 Democratic Presidential pre-candidate Lyndon LaRouche has repeatedly warned, the Anglo-American establishment is attempting to maintain its power in a collapsing system through dictatorial, crisis-management methods, some of which would make Hitler green with envy, such as the Reichstag fire-style Sept. 11 attacks in New York and Washington. And Australia, which has invoked the ANZUS treaty with the United States and is now on its highest security alert since World War II, is one of the “filthy financier five” (U.K., United States, Canada, Australia, and New Zealand) through which the British monarchy and its Wall Street-centered sympathizers in the United States have dominated the world for most of the past 35 years.

For Australia, perhaps the major difference with the Nazi precedent, is that the not-yet-consolidated dictatorship there has not been sprung all at once, as in the emergency laws rammed through the German parliament in the wake of the Nazi-rigged Reichstag fire, but has been enacted piece by piece over a longer period of time, although the pace of this legislation has dramatically intensified this year and last. All of the new legislation has ostensibly been proposed to deal with a string of “crises,” beginning with the infamous 1996 Port Arthur massacre of 35 people by a “lone nut”; to the Y2K hysteria; to the danger that Osama bin Laden might target the 2000 Sydney Olympics; to the mass anti-globalization riots in Melbourne in September 2000; to the “anti-terrorist” measures adopted for the Oct. 3-6 Commonwealth Heads of Government Meeting in Brisbane (since cancelled); to the hysterical actions taken to keep undocumented “boat people” from landing in Australia; to the present witch-hunt for the “associates of Osama bin Laden” involving the Sept. 11 attacks, who are alleged to be running all over Australia.



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Australia's new laws against "racial vilification" are actually intended to stamp out political opposition, notably that of LaRouche's associates. Here, CEC candidates for office in Queensland and Western Australia in 1998.

The Emergency Laws

In rough chronological order, the following are some of the major pieces of police-state legislation which have already been enacted. The list represents a preliminary review, and is therefore not necessarily all-inclusive. Some of the worst of these were passed in the state parliament of Victoria, whose capital, Melbourne, is the home base of both Australia's old, Anglophile financial and corporate elite, as well as that of LaRouche's associates in the Citizens Electoral Council (CEC), and LaRouche's name has frequently been raised as a target by those pushing the new laws. Most of these laws were passed with bipartisan support from the country's two major parties, the Liberal/National Party Coalition, and the Australian Labor Party (ALP).

Draconian federal gun control legislation: This was enacted in the wake of the April 28, 1996 mass slaughter of 35 people at Port Arthur, Tasmania by one Martin Bryant. Bryant was a known security threat, who had been under the care of brainwashing experts from British intelligence's Tavistock Institute from his early youth, and who had either killed, or had threatened to kill, or was suspected of having killed several people before he was unleashed at Port Arthur. On May 16, 1997, *EIR* released an investigative dossier proving the Tavistock control over Bryant through a legendary Tavistock brainwasher, Dr. Eric Cunningham-Dax. That dossier built upon earlier investigations circulated throughout Australia in 75,000 copies of the CEC's newspaper, the *New Citizen*. These exposés hit a raw nerve in Australia's establishment. Then-Deputy Prime Minister Tim Fischer (falsely) charged LaRouche, whose CEC associates had established a huge presence in rural Australia since 1992, with having

personally organized the mass rallies of 150,000 people which were called to protest the government's gun-control legislation, which had apparently already been prepared and was just sitting in the hopper, ready to go. The laws would have had no hope of passing without Bryant's bloody mayhem, but were rammed through federal parliament within days of the Port Arthur massacre, to an accompanying threat by Fischer, "There is no place in Australia for the kinds of ideas associated with LaRouche."

Y2K emergency laws: Laws were passed in the state parliament of Victoria in late 1999 to deal with potential "Y2K chaos." The laws were the most sweeping in Australian history, allowing authorities to ration food; to "make a declaration that any service is an essential service" (e.g., water, transport, electricity, health care) for purposes of the law; to requisition any citizen or any machinery for an indefinite period of time; to impose fines of up to \$1 million or imprisonment for three years for anyone not complying with an officer under the law; to give blanket immunity to any official acting under the law, and so on. In short, said the leader of the opposition Liberal Party, Dr. Denis Napthine (whose party wholeheartedly supported the bill), "Clause 5 proposes giving enormous power to the minister, who will be able to do virtually anything. It provides powers that could put the situation on a war footing." Even ALP Minister for Transport Peter Batchelor, when introducing the legislation, admitted that "the powers given to the minister are so broad as to be almost draconian."

All of this power was allegedly given to deal with a crisis which never existed in the first place: As *EIR* has documented, the "Y2K crisis" was a hoax, concocted in order to pump

money into the “New Economy” speculative bubble, to keep the world’s financial system afloat for a few more years.

Although the law had a sunset clause which terminated it as of June 2001, a precedent has been established, in particular to deal with “interruptions of essential services,” such as electricity; it also added new provisions on such “continuity of services” to the Emergency Management Act 1986, which did *not* sunset. Such “interruptions of service” have already started to happen, largely caused by the privatization and looting of Victoria’s once-proud, state-owned infrastructure system.

Shoot-to-kill legislation: The Defense Legislation Amendment (Aid To Civilian Authorities) Act 2000 was passed in early September 2000. It allows Australian defense forces to enter buildings, cordon off areas, erect barricades, and stop traffic to search and seize people and property, and to use “lethal force” if “domestic violence” flares, or if the “Commonwealth’s interests” are threatened.

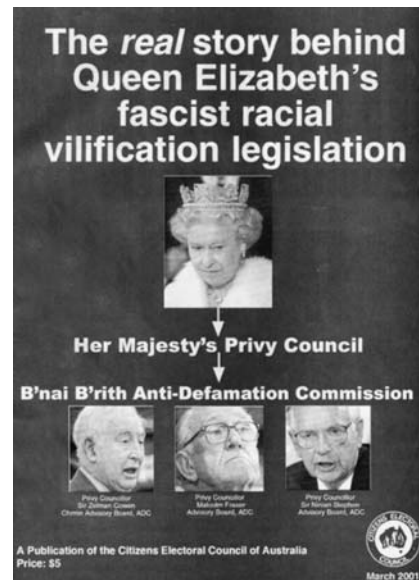
The bill represents a radical break with all previous Australian legislative history. As Sen. Vicki Bourne of the Australian Democrats party said in the debate shortly before the bill passed, “Let’s get clear what we have here. If this bill is passed it will mean Australian troops can be directed, as a lawful order, to shoot dead other Australians under some circumstances.” The Coalition/ALP gang rammed the bill through, refusing to even allow a one-line amendment which forbids the army to shoot “people engaged in peaceful protest or civil obedience.”

Under the Army’s 1964 manual, *Aid To The Civil Power*, which has been updated over the years, the following instructions appear under the section, “Prevention of Crime”: “The whole of the front section [of the demonstrators] is to be brought into the aim of the platoon. One rifleman by number, and not by name, is to be ordered to fire one round at a selected ringleader. He should aim low and fire for effect, with the object of disabling the ringleader. If this does not have the desired effect, another rifleman is to be ordered to fire one round at another ringleader. Whilst it will be normal for one round to be fired at a time, circumstances may be such that this is insufficient. If he considered it necessary, the commander may increase the rate of fire.”

According to Defense Minister John Moore, the impetus for the act “comes from the Hope Commission of 1979,” set up to review the 1978 bombing of the Hilton Hotel in Sydney — whose recommendations had been ignored by several federal governments over the 21 intervening years. In addition, the Australian Army is being prepared for urban, rather than jungle or other types of warfare more common *outside* Australia. This was the focus of a presentation by Col. Michael Goodyer, director of future warfare at Australian Defense Headquarters at the Land Warfare Conference in Melbourne in October 2000. “It is inevitable that the Western democracies will be called on to deal with increasing numbers of urban operations,” he said.

Racial vilification legislation: The Racial and Religious Tolerance Act was passed by the parliament of Victoria on June 14, 2001, after fierce parliamentary debate. It decrees that no person is allowed “to engage in conduct that incites hatred against, serious contempt for, or revulsion or severe ridicule of, that other person or class of persons,” an intentionally vague, politically correct clause which may be interpreted as desired, but which carries fines up to \$30,000, six-month prison sentences, and authorizes police to use search warrants (heretofore issued in Australia only in the event of serious crimes), and break down doors to seize “evidence.” The major intent of the laws, according to their chief sponsor, the Anti-Defamation Commission of B’nai B’rith, is to shut down the presence of Lyndon LaRouche on the Australian continent. In a June 19, 2001 statement, “Australia And Hitler’s Dictatorship” (see *EIR*, June 29, 2000), LaRouche charged that the legislation was “1) an intent to violate human rights; and 2) legislation in the same character of law as the February 1933 decrees which first established the Nazi government as a dictatorship.”

“Border protection”: For about a week in late August and early September of this year, Australia was consumed with a drama on the high seas, as the coalition government of Prime Minister John Howard refused to allow a Norwegian-registered ship, the *Tampa*, which contained more than 400 mostly Afghani asylum seekers, to make the nearest landfall, the Australian territory of Christmas Island. The government sent its elite Special Air Services (SAS) units to board the ship, and ultimately forced it to unload its passengers on the tiny Pacific island of Nauru. In the wake of this event, which Australia’s Rupert Murdoch-controlled media played up relentlessly, Howard introduced the Border Protection Bill 2001. Ostensibly designed to deal with the *Tampa* crisis, the bill allowed Australian customs, police, security, or defense



The Citizens Electoral Council's pamphlet exposing the command structure behind the British monarchy's campaign for dictatorial rule in Australia.

forces officials to turn back a ship from Australian territorial waters into international waters, and for the Australian military to use “reasonable force” to accomplish those ends.

But, that was not all. As noted in a precis of the proposed law in the Aug. 31 *Australian Financial Review*, “The special powers would not be open to challenge or review by the judiciary or by Parliament. *The bill was intended to override all other laws*, both international laws covering seafaring and Australia’s criminal and civil law” (emphasis added). The coalition’s attempt to ram the bill through in an emergency late-night sitting was a little too blatant for even the normally compliant ALP, whose leader Kim Beazley instructed the ALP to reject it, because it involved “the suspension of all Australian law.”

However, a slightly watered-down version, without the provision to override all other laws, was passed on Sept. 26, with the full support of Beazley and the ALP. Sen. Natasha Stott Despoja, the leader of the Democrats, denounced the “draconian legislation . . . the sort of law you might expect in the days of Stalinist Russia.”

Meanwhile, even before the legislation was passed, Howard unleashed an anti-people-smuggling operation using “the full force of the RAN [Royal Australian Navy] and the RAAF [Royal Australian Air Force] in an exercise unprecedented in peacetime,” as the *Sunday Herald Sun* of Sept. 2 observed. What was also remarkable about the *Tampa* affair, was the unprecedented peacetime news blackout the government imposed. “It was an SAS operation, was the excuse we constantly heard,” as one journalist put it. That excuse was absurd, particularly when compared to how the SAS was constantly in the spotlight in the Australian defense forces’ East Timor operation in 1999, a far more dangerous deployment than dealing with a bunch of unarmed refugees.

Given the extraordinary disparity between East Timor and the *Tampa* affair, and that the *Tampa* incident suddenly catapulted Howard and his coalition into leadership in the polls for a Nov. 10 national election, where the coalition had been badly trailing the ALP for months, one is forced to ask if the whole business were a set-up, as well as an excuse to attempt to ram through new, draconian “national security” laws.

Even before the *Tampa* affair unfolded, an unprecedented peacetime censorship over all defense force-related news was established by Defense Minister Allan Hawke and the Chief of the Defense Force, Adm. Chris Barrie. In an eight-page Defense instruction dated Aug. 8, Hawke and Barrie mandated that all defense-related news, including that provided to government ministers or parliamentary secretaries, must be cleared by the Defense Public Affairs and Corporate Communications (PACC) unit of the Defense Force. The memo gave the PACC far-ranging censorship control, including over academic conferences, scholarly articles, etc. The Australian major media have been filled with outraged articles against this “draconian peacetime censorship.”

Still More Police Powers

The above is the most egregious legislation, but it is not all: The Newspeak-titled “Peaceful Assemblies Bill,” passed in Victoria this year, greatly broadens police powers, allowing the police to break up any gathering (including eliminating the earlier requirement that a magistrate “read the Riot Act,” before police may do so); the proposed federal Intelligence Services Bill will grant intelligence agents immunity from prosecution if they break the law “in the course of their duties,” with additional legislation expected imminently to “provide them [intelligence services] with the opportunity of doing a number of things that they felt unsure of in the past,” in the words of Beazley deputy Laurie Brereton; and the Measures To Combat Serious And Organized Crime Bill will extend the use of “controlled operations” (e.g., “stings” and entrapment) to all Commonwealth offenses, not just drugs, permit officers to manufacture fake documents and to assume false identities, and increase the use of wiretaps, even where a “suspect” is not known by name.

In addition, almost every major public event in the past couple of years has been used to expand police-state powers, such as the 2000 Sydney Olympics, which established the National Anti-Terrorist Plan for the threat of bin Laden’s men launching attacks on the Olympics, or the cancelled Commonwealth Heads of Government Meeting this month, which saw “an unprecedented widening of special police powers,” according to the Aug. 21 *Courier Mail*. In addition, to deal with a possible outbreak of foot-and-mouth disease, in 2002 Australian authorities “plan to launch a massive military-style operation to test the adequacy of emergency quarantine measures,” according to Federal Agriculture Minister Warren Truss on Aug. 13. The exercise will be modelled on the fiasco in Britain, where the military slaughtered millions of animals while militarizing the countryside, instead of running a mass vaccination campaign.

In the wake of the covert strategic operation which hit New York and Washington on Sept. 11, all of this existing legislation will be ratcheted up a few notches. Already, *Nacht und Nebel* (“night and fog”) raids by the Australian Secret Intelligence Service (ASIO—Australia’s FBI) are being carried out against Australia’s large Islamic population. Prime Minister Howard has also announced plans to place armed security guards on Australian international and domestic air carriers; to double Australian Defense Force special forces capacity; to reinstate the Olympics “special response team” and the National Anti-Terror Plan; to increase ASIO powers still further; and to beef up asset-freezing laws. Further legislation is expected to be announced after Australia’s Nov. 10 national election, and ALP leader Beazley has proposed setting up a Home Ministry, based on the British Home Office, the same Home Office that has overseen Britain’s role as the safehouse for international terrorism, as documented in *EIR*’s 1995 *Special Report*, “How To Defeat Global Irregular Warfare,” by Lyndon H. LaRouche, Jr.

Kazakstan Seeks German Input To Its Industry

by Rainer Apel

In what Russian, Central Asian and German media appropriately called a “Visit to Germany In The Footsteps Of Putin,” the arrival of Kazak President Nursultan Nazarbayev and several cabinet ministers, days after the Russian President had left Germany, was an important event in latest initiatives of Eurasian diplomacy. For the Germans, the Republic of Kazakstan is the most stable, most calculable state in Central Asia; for the Kazaks, Germany is the second-largest foreign trade partner after Russia.

President Nazarbayev was accompanied by the ministers of foreign affairs, economics, transport, and defense, as well as the governor of the central bank. Compared with the visit Russian President Vladimir Putin’s visit on Sept. 25-27 (see last week’s *EIR*), the talks of the Kazak guests with their German hosts seemed to have a lower profile, and, except for a joint press conference with German Chancellor Gerhard Schröder in Berlin on Oct. 2, Nazarbayev had no official public appearances. But he spoke before a select audience of politicians, analysts and industrial leaders, hosted by two of Germany’s biggest banks, Deutsche Bank and Commerzbank, and by the German Foreign Policy Association.

On the eve of his departure to Germany, Nazarbayev emphasized the Eurasian development perspective, in an interview with the *Kazakstan Pravda* daily, published Sept. 29. “We allot serious attention to transport,” he said. “This December, we finish building of a unique highway, roads going toward Russia, and among all regional centers of the Republic of Kazakstan. . . . We have six crossings with China, and trade turnover has increased to \$2 billion in four years. We have connected with China by railway, we were provided with a Pacific seaport; therefore Kazakstan aims to complete a part of the transit system on the Eurasian continent.” What Nazarbayev was referring to, is the railroad connection from the westernmost Chinese station of Kashgar to the former Kazak capital of Almaty, which runs through the territory of Uzbekistan. It is one of three main railway corridors directly connecting Asia with Europe.

Transit Point For Eurasian Trade

Nazarbayev said that visibly upgraded investments were required in three sectors of the economy that Kazakstan

wants to develop— machine-building, agriculture, telecommunications. As far as agriculture is concerned, Kazakstan does have a big potential in the largely untapped mineral resources in the North. These can serve as the basis for developing a fertilizer industry of considerable proportion— not just for domestic use, but also for exports.

The Kazak President also wants to develop his country’s role as a key transit point for trade between Europe and Asia, implying the development and modernization of its transportation infrastructure. He said that since German Foreign Minister Joschka Fischer’s mid-May visit to Kazakstan’s new capital, Astana, relations between the two countries have shown more concrete potential for further development. He added that economic development is also important in the struggle against extremism and terrorism, because “terrorism does not begin with throwing bombs, it begins in the mind.” Nazarbayev explained that if people remain economically underprivileged for a long time, they may listen to demagogues’ calls for violence. Economic development, and a serious commitment to a dialogue between Islam and Christianity, are vital for turning Central Asia from a crisis region into one of wealth and stability.

Whereas Nazarbayev left Germany on Oct. 3, several of the cabinet ministers in his delegation stayed, to continue talks with German industrial managers and bankers. Remarks by Economics Minister Shaksybek Kulekeyev in an interview published on Oct. 1, shed some light on where the prime interests of his talks in Germany lay: The German magazine, *Ost-West Contact*, quoted Kulekeyev in its headline, “Machine-Building Has Priority.”

“As a matter of fact, our positive economic development is predominantly based on the oil and gas industry. But we do not want to become dependent on our raw materials and the prices that we generate with them on the world markets,” Kulekeyev said. “That is why last year, we formulated a National Program for the Development of the Machine-Building Sector. . . . In a country like Kazakstan, products of the machine-building sector are always needed. So far, we have imported machines and industrial facilities, which is to change.”

Kulekeyev explained the plan to reassign a sizable share of foreign investments into the “development of the machine-building sector.” No less than 30% of foreign investments, which so far, have exclusively gone into the purchase abroad of oil-related machinery and equipment (\$258 million in 2000), will now be used for building up a Kazak industrial capacity for the production of machines.

“Especially in the machine-building sector, we can think of no better partners than German companies,” Kulekeyev said. And German machine-builders certainly can see no better perspectives, than those offered by Kazakstan. This is exactly the industrial cooperation that is required along the entire Eurasian Land-Bridge.

Reality Hits: The Nation Needs A Public Health System

by Edward Spannaus

After decades in which the public health system of the United States has been systematically and intentionally dismantled in the name of “efficiency” and “shareholder values,” the events of Sept. 11 appear to have shocked many policymakers into an emerging realization of the insanity of this destructive path. Congressional hearings on emergency preparedness and bioterrorism are now almost a daily occurrence, and warnings about the breakdown of the nation’s public health infrastructure are being taken seriously for the first time in many years.

Consequently, we are now seeing the beginnings of a recognition, in Congress and in other policymaking circles, that “public health” is not just something for the poor. The systematic destruction of the nation’s public health and overall health-care system, through budget cuts, privatization, and the domination of health maintenance organizations (HMOs) and other forms of “managed care,” have left the nation unnecessarily and terribly vulnerable to any biological or chemical attack—not to mention to the rising rates of illness and disease which accompany an economic collapse such as that which the nation and the world were already undergoing prior to the events of Sept. 11.

LaRouche’s Campaign Against HMOs

The groundwork for this public reawakening on the importance of the public health infrastructure, has been laid by the campaign that Lyndon LaRouche and *EIR* have led for a number of years, against the managed-care or HMO system, and to restore the system typified by the 1946 Hill-Burton Act; that law mandated a national standard for hospital facilities necessary to assure access to health care for all citizens—

regardless of where they live, or their ability to pay—as well as special Federal programs to attack and treat dangerous diseases.

LaRouche’s opposition to the HMO system goes back to 1973, when the first HMO provisions were enacted by Congress; at that time, LaRouche denounced this as an austerity program that would condemn large sections of the American population to the status of “useless eaters.”

In April 2000, LaRouche launched a campaign to ban HMOs altogether—on the grounds that their existence is contrary to the intent expressed in the U.S. Constitution to defend the general welfare of the population.

“The problem is, the HMO law is evil, intrinsically evil!” LaRouche declared. “The only thing that will solve the problem is to cancel the HMO law; repeal it. End the existence of HMOs. Go back to the system we had earlier, a system under the Hill-Burton legislation, which is the postwar system, under which we *improved* health care. . . .

“... [T]he purpose from the beginning, in 1973 when that bill was passed, the *purpose was to cut the health care of the population*. That was its purpose, by privatizing it under shareholder value rules.”

No Preparedness, No Capacity

The beginnings of a new “paradigm shift” in the thinking about public health, are evident in the flurry of hearings on bioterrorism and related matters in Congress, and in other public debate, since Sept. 11:

- At a Senate hearing of the Health, Education and Labor Committee on Oct. 9, Dr. Mohammad N. Akhter, executive director of the American Public Health Association, warned



The national “anti-terror” crusade could not avoid throwing light on what honest political activists and medical professionals have long known: the “managed care revolutionaries” made billions while destroying public health readiness and closing absolutely essential hospitals, like D.C. General in Washington.

of the dire lack of preparedness for any biological attack. His testimony was reflected in an op-ed he wrote for the *Washington Post* on Oct. 10, in which he declared that the public health systems of both the District of Columbia, and the nation as a whole, are “woefully unprepared” to do anything about a bioterrorism attack, and that hospitals would be flooded with patients in such an event. Dr. Akhter pointed out that there is a greatly reduced number of beds in these facilities, which he attributed in part to “the privatization movement to downsize hospitals.”

- In an Oct. 5 ABC-TV “Nightline” broadcast of a “town meeting” in D.C. that same day, the role of privatizing medical care was also cited as a major problem in the lack of preparedness. This was raised by Col. Randy Larsen, formerly of the National War College, who has helped develop some of the exercises which tested preparedness for a biological attack. Larsen noted that private hospitals are not willing to participate in such planning and training, because their purpose is to make a profit.

“In this nation, we made a decision that we wanted to have your medical care in the private sector,” Larsen said, noting that he agreed with that. “The problem is, they have to make a profit. Today, 30% of those hospitals are in the red. Fifty percent of the teaching institutions are in the red. When we asked the CEOs of those institutions, ‘We need you to do exercises, planning and training,’ they can’t afford to do that.”

- A closely related point was made during an Oct. 11

hearing of the House Intelligence Subcommittee on Terrorism and Homeland Security, when a leading expert on biological defense and biological warfare cited managed care—the HMO system—as the cause for the lack of hospital capacity in the United States to deal with any bioterrorist incident.

Col. Edward Eitzen, who is now the commander of the U.S. Army Medical Research Institute of Infectious Disease at Fort Detrick, Maryland, said that there are three major areas in which to bolster the nation’s preparedness for bioterrorism—1) a strong public health system, with excellent real-time surveillance systems to rapidly detect an outbreak, state-of-the-art laboratories to tell us what disease agent we are facing, and strong research programs to develop new countermeasures; 2) educational programs to make biological first responders—emergency and primary care physicians, nurses, public health personnel, and clinical laboratory technicians—aware of the clinical symptoms, initial treatment, laboratory procedures, and reporting mechanisms that they need to know to detect and manage an outbreak; and 3) adequate capacity in the health-care system.

Eitzen said that we must “make sure that we have adequate capacity in the health care system to be able to treat the casualties,” adding: “This is not now present for a large-scale attack, because our hospitals have been running kind of lean and mean in the last few years, with the advent of managed care.”

- Dr. Jonathan Tucker, of the Monterey Institute of International Studies, identified the importance of the nation’s

D.C. General Chief Surgeon: Reopen The Hospital

In a letter to the Washington, D.C. City Council, Dr. Bernard Anderson, former Chief of Surgery at D.C. General Hospital, says that the capital's public health preparedness and disaster readiness demand the reopening of D.C. General Hospital (DCGH). Dr. Anderson, Professor of Surgery at Howard University, writes, "We are not currently ready for . . . a potential disaster emanating from a major biological, chemical, nuclear, physical-natural or unnatural event." He calls for disaster preparedness training of all medical students and post-graduates; for an increase in both the number and the state of readiness of Level I trauma centers; their ready accessibility to and from "potential target areas" of disasters; and that they be expandable in functional and physical capacity up to four to five times their regular capacity.

"More of the public's money must be budgeted to the health care system, as private compensation cannot be expected to cover the operational costs of such entities. . . . Such money should go, preferably, to the public hospitals and teaching hospitals and to university hospitals that have a high investment in education, research and training. Of note is the fact that the recently killed DCGH met most of these essential efforts.

"DCGH was a vibrant Level I trauma center that handled at any one time either the largest number, or second-largest number of trauma victims in the city. It was staffed

in the emergency room by a dedicated team of surgeons that were in the hospital 24 hours per day. . . . These surgeons were integrated in the staff with the other surgeons from Howard and Georgetown University clinical faculty who met and exceeded all the qualifications and operational requirements of the American College of Surgeons Committee on Trauma for a Level I trauma center. The facility was dedicated to deliver the highest level of care to the trauma victim available anywhere in the world. . . .

"Additionally DCGH was one of three centers in the city with equipment, trained staff, and capability to function as a mass casualty/terrorism/decontamination center with the capability of responding to nuclear, chemical, and biological misadventures.

"Surely the decision to close DCGH without providing for the services it rendered faithfully to its natural service community, and was capable of rendering to the wider community, was a reckless and callous act that considerably increased the exposure and vulnerability of all persons in the city. . . .

"While 'Humpty Dumpty' can usually not be put together again, the many reasons to reconstitute DCGH on the same site for the public good, safety, and access for all the people of the city, are overwhelming. The steeply inverse morbidity/mortality ratio experienced on the Sept. 11 disaster should not be relied upon to preserve the veneer of being ready and being capable. We dodged a bullet this time. Now honorable ladies and gentlemen and leaders of the community, let us do the right thing so that we may be in a truly optimal state of readiness to serve the best interests of the city."

public health system to deal with the threats of both emerging diseases, and of potential bioterrorist incidents. "Back in the 1950s and '60s, publicly supported community hospitals and public health laboratories supported an effective early warning network for detecting and containing epidemics," Dr. Tucker stated.

- The lack of preparedness of the U.S. public health system was also discussed extensively at a hearing of the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee on Oct. 10. But Rep. Greg Ganske (R-Iowa) was the first to delve into the actual reasons for this, beyond just the obvious lack of funding. Ganske said that "under the HMO model of health care, in this country, we have wrung out of the health care system any redundancy, in the quest for efficiency," and he noted that, because of the HMO-run constricting of the health system, there is no capacity in the health care system to handle the surge resulting from an epidemic or a terrorist attack.

The Fight For D.C. General Hospital

At the beginning of this year, the LaRouche movement identified crucial importance for the entire nation, of the fight to save the District of Columbia General Hospital. D.C. General, with a 200-year history, was the last public hospital in Washington, D.C., and contained top-flight treatment and teaching facilities—and a state-of-the-art decontamination center—all of which were dismantled over the Spring and Summer of this year.

Now, in light of the Sept. 11 attacks, there is renewed attention of the need to restore D.C. General, if the nation's capital were to have any capacity to deal with a large-scale medical emergency. Had a hijacked plane crashed into the Capitol on Sept. 11, the District's nearby hospitals, whose emergency rooms are already overflowing, would have had no capacity to deal with the crisis. (As it was, those injured at the Pentagon were mostly taken to the closest hospitals, in Arlington and Alexandria, Virginia.) Robert Malson, the

president of the D.C. Hospital Association, recently asked, “Does it make sense not to have D.C. General’s trauma center at a locale 19 blocks from the U.S. Capitol?”

LaRouche himself said recently, that those who opposed the efforts to keep D.C. General open have now been “proven terribly, terribly wrong.”

“The point is, now the Control Board is ended, the issue of D.C. General Hospital is back in the lap of Congress,” LaRouche said, referring to the termination of the Financial Control Board whose charter ended on Sept. 30. Its five-year dictatorship over the District of Columbia, included shutting down D.C. General in violation of its Congressional mandate. “We have a national emergency, which includes a national medical emergency, which includes the D.C. area. The only sane thing to do now, is to totally reconstitute D.C. General Hospital.”

But that was not the approach taken by District of Columbia officials at an oversight hearing on emergency preparedness held by the D.C. Council on Oct. 5. The issue of D.C. General was only raised by D.C. Hospital Association president Malson (representing private hospitals), who presented it in the following terms, including citing the role of the HMO system:

“Our nation’s hospitals no longer have the ‘surge capacity’ required for large-scale casualties, mainly due to the advent of managed care and a major shortage of health-care workers — particularly nurses, radiology and laboratory technicians, and pharmacists,” Malson testified. “In the meantime, one of the city’s leading trauma centers, D.C. General Hospital, located 19 blocks from the U.S. Capitol, was closed earlier this year, seriously crippling our trauma and decontamination capacity. I urge the Council, the Mayor, and the Federal government to review the feasibility of reinstating a wider range of emergency services available to those who live and work near the U.S. Capitol and the Supreme Court.”

That night, on the ABC-TV “Nightline” town meeting, host Ted Koppel asked D.C. Mayor Anthony Williams about the closing of D.C. General. “Mr. Mayor, people outside the District of Columbia do not know, but D.C. General, one of your biggest hospitals, just closed down,” Koppel said. “So you have fewer beds now than you did a year ago.”

Williams sidestepped the question, instead saying that the District has a good system for monitoring the utilization of hospitals, in which the D.C. Hospital Association has taken the lead. And, despite all the warnings that were made about the danger of shutting down D.C. General in case of any public health emergency, Williams glibly continued: “But this is a good story of where you are building your system for normal times, you’re not building your systems for spikes and emergencies, and that’s where we have, as I said earlier, a lot of work to do in terms of investment. One of the things we’re looking at is what role D.C. General can play in terms of providing backup space.”

Of course, without restoring D.C. General, it can’t provide much more than beds and empty space, since its surgery, laboratory facilities, and other essential back-up components have been dismantled.

‘A Reckless And Callous Act’

The folly of closing D.C. General is shown in the letter to the D.C. Council (see box), from the former head of the Department of Surgery at D.C. General, Dr. Bernard Anderson. Dr. Anderson notes that D.C. General was a “vibrant Level I trauma center” and that it was one of only three centers in Washington, D.C. with the capability and equipment to function as a mass-casualty and decontamination center in the event of a nuclear, chemical, or biological attack.

“Surely the decision to close DCGH without providing for the services it rendered faithfully to its natural service community, and was capable of rendering to the wider community, was a reckless and callous act that considerably increased the exposure and vulnerability of all persons in the city,” Dr. Anderson wrote.

Meanwhile, the death toll arising from the dismantling of D.C. General Hospital has reached at least 47, according to LaRouche activist Lynne Speed, a leader of the Coalition To Save/Restore D.C. General Hospital. Most of the cases involved victims of gunshot wounds or other trauma, who had to be transported to more distant hospitals because D.C. General was no longer accepting ambulance arrivals. Since Aug. 26, ambulances have been permitted to bring some patients to the stripped-down emergency room (actually just a clinic) on the site of D.C. General, but a number of these have died because there are no surgical, laboratory, and other essential services necessary to quickly treat emergently injured or ill patients.

Senate Is Warned That Public Health Is Unready

by Linda Everett

Two recent Senate hearings, focussed on the country’s capability to respond to a biological or chemical terrorist incident, uniformly presented a chilling warning—that the United States is, on every level of its public health infrastructure, woefully unprepared for such a terrorist event. On the Federal level—states and localities are in worse shape—a newly released study by the General Accounting Office (GAO, the Congressional research body) found that the government’s plan for responding to the public health and medical consequences of a bioterrorist attack is a collection of poorly coordi-

nated, underfunded projects that involves 20 departments and agencies.

Despite Health and Human Services Secretary Tommy Thompson's assertion on Sept. 30, that the U.S. is safer "than we'd been led to believe" with regards to preparedness for a biological or chemical terrorist attack, experts at two Senate hearings—the Oct. 3 hearing before the Committee on Appropriations Subcommittee on Labor, Health and Human Services and the Oct. 9 hearing before the Committee on Health, Education, Labor and Pensions Subcommittee on Public Health—had one theme: A paradigm shift must take place in the country, the nation must make considerable investments, resources, and effort to rebuild every aspect of our deteriorating public health system on an emergency basis.

Dr. Jonathan Tucker, PhD, Director, Chemical and Biological Weapons Non-Proliferation Program Center, Monterey Institute of International Studies, in Washington, D.C., testified on Oct. 4, that threats of emerging diseases and intentional release of biologics, such as plague, anthrax, or smallpox, are best addressed by strengthening the nation's public health systems, which have been allowed to deteriorate: "Back in the 1950s and '60s, publicly supported community hospitals and public health laboratories supported an effective early-warning network for detecting and containing epidemics."

Disease surveillance is a fundamental function of public health at local, state, and Federal levels. But, as experts testified repeatedly, today the medical professionals on the front lines of an attack are seldom trained to diagnose unusual diseases or to report an undiagnosed cluster of suspicious symptoms to county health departments. In any case, 94% of county health departments do not have staff fully trained in bioterrorism preparedness, according to the National Association of County and City Health Officials (NACCHO).

After the shift to the post-industrial policies of health maintenance organizations (HMOs), and privatization and deregulation of health care, labs today conduct only the tests that health insurance companies will pay for. The profit-driven policies of managed care forced hospitals to slash staff and beds. Congress, too, significantly undercut direct funding for public health, replacing them with block grants to the states, whose legislators used the funds for more politically popular projects.

Indeed, Dr. Stephen Cantrill, Associate Director of Emergency Medicine at Denver Health Medical Center, in his Oct. 4 testimony, ridiculed the illusion that the U.S. health care system could adequately deal with a significant weapons of mass destruction incident. "Our hospitals today have no 'surge capacity.' They could not adjust to a sudden increase in patient load without degenerating into chaos," he said.

EIR was told that some hospitals are so flooded with patients, so limited in the number of their intensive care unit beds, that they are on permanent "bypass," meaning they routinely tell ambulances to deliver emergency patients to other

hospitals. Hospitals are at overcapacity all through the year: they are on "red alert" during a typical flu season. The testimony of Dr. Donald Henderson, MD, Director of the Johns Hopkins Center For Civilian Biodefense Studies, says it all: Research found that "no hospital, or geographically contiguous group of hospitals, could effectively manage even 500 patients demanding sophisticated medical care such as would be required in an outbreak of anthrax."

Iowa Case-Study In Unpreparedness

Patricia Quinlisk, Medical Director and State Epidemiologist of the Iowa Department of Public Health, also represented the Council of State and Territorial Epidemiologists at the Oct. 4 hearing, where she methodically compared Iowa's level of preparedness to the recommendations laid out by the U.S. Centers for Disease Control in its "Biological and Chemical Terrorism: Strategic Plan for Preparedness and Response." Dr. Quinlisk told *EIR* that Iowa's shortcomings in preparedness would hold true for nearly all states.

She told the committee of Iowa's shortages of staff and lack of capabilities for detection, diagnosis, response and communication, necessary for preparedness against biochemical terrorism. Iowa's health care providers don't have the training, diagnostic tools, or communications system for rapid reporting of suspicious illnesses. If an anthrax attack were to hit Iowa right now, the state has only one laboratory with the reagents to rapidly and correctly diagnose this disease, and those supplies would be depleted within hours. In event of an emergency, there is no communications system to alert health officials across the state. Only 10 out of 99 local health departments in Iowa have someone on call 24 hours a day, 7 days a week.

Iowa has no one to undertake systematic surveillance to monitor community health data for indicators or aberrations (unusual syndromes) from emergency rooms. There is no one to collect, analyze, and report the data or coordinate communications and investigations. The state has only one veterinarian assigned to the health department to conduct active surveillance on animal diseases, which give advance notice for human diseases.

It is estimated that it takes 6-12 hours for Federal stockpiles of vaccines or drugs to reach states needing them. Millions will need to have antibiotics within 48 hours if exposed to pneumonic plague, or within 24-36 hours after onset of anthrax symptoms. In an exercise of simulated attack of pneumonic plague, medical workers were to dispense prophylactic antibiotics to 1 million people within 48 hours. But, it took 60 workers 24 hours to dispense antibiotics to only 3,360 patients! Dr. Henderson called for resources to undertake the staggering logistical problem of large-scale, rapid distribution of medications.

State and local health departments rely heavily on the expertise of the U.S. Centers for Disease Control and Prevention (CDC). Janet Heinrich, Director of Health Care-Public

Health for the GAO, testified Oct. 9 that, when the small West Nile virus outbreak occurred in 1999, it taxed Federal, state and local laboratory resources. The CDC laboratories handled the bulk of testing. At the time, officials said the CDC labs could not have handled another outbreak, had one occurred at the same time.

Government's Key Role: Vaccine Production

Michael T. Osterholm, Director of the Center for Infectious Disease Research and Policy at the University of Minnesota, called for building enough medication in our Federal pharmaceutical stockpiles to provide treatment or prophylaxis for up to 40 million people. Osterholm cited the need for accelerated development of smallpox vaccine, and research on development and production of other vaccines for the civilian population.

As was recently reported, the national anthrax vaccine stockpile is insufficient and likely ineffective. Worse, there are considerable inadequacies of the vaccine's sole producer, the Michigan-based Bioport, which is repeatedly cited by the Food and Drug Administration for manufacturing violations and suspiciously doctored test results.

Arkansas Sen. Tim Hutchinson (R), a hard-line "free trade," small-government devotee, surprised the Oct. 9 hearings with a call for sanity. We need a government-owned and -operated vaccine producer, said Hutchinson. "We can't rely on the commercial sector alone. It is not necessarily commercially feasible. There are some things the government has to take responsibility for."

Sen. Edward Kennedy (D-Mass.) and Sen. Bill Frist (R-Tenn.), both of whom sponsored the Public Health Threat and Emergency Act of 2000, have proposed a fivefold increase in current Federal funding to deal with a possible bioterrorist attack. The Oct. 9 hearing, Kennedy said, presented further evidence that their proposed \$1.4 billion plan is fully justified. Sens. John Edwards (D-N.C.) and Charles Hagel (R-Neb.) have introduced S. 1486 to provide \$1.6 billion to increase the ability of the "first responders" at the state and local level to prepare for biochemical terrorism.

It took horrible mass killings to make many legislators and experts recognize the need for fundamental changes in medical policies to protect the general welfare, of the sort which Lyndon LaRouche has mandated since the 1970s, and particularly since the AIDS epidemic began in the early 1980s. Providing the basic public health daily needs for the nation and preparing it for disease outbreaks, such as the West Nile virus or the predicted pandemic influenza, simply mirrors what is needed to prepare the country in the event of a possible biochemical attack. As Dr. Rex Archer, Director of Kansas City Health Department in Missouri and chair of the Bioterrorism and Emergency Preparedness Committee of the National Association of County and City Health Officials, testified, "Every dollar we spend on bioterrorism preparedness will pay off in countless other ways."

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Congress Notices Real Infrastructure Decline

by Carl Osgood

At the level of the Congressional leadership and the White House, talk of an “economic stimulus” continues to revolve around some combination of tax cuts and spending programs. On Oct. 5, President George Bush made clear that he wants only tax cuts. Most of his package would consist of accelerating the tax cuts passed into law earlier this year, in order, Bush said, to “stimulate” consumer spending. Bush and the Republicans claim that the \$55 billion in additional spending passed in the aftermath of the Sept. 11 attacks is more than enough. Democrats, on the other hand, want additional spending, primarily to provide relief for workers who have lost their jobs after Sept. 11.

What both sides agree on, however, is that they must be guided by the principle laid down by Federal Reserve Chairman Alan Greenspan. That is, as Senate Minority Leader Trent Lott (R-Miss.) told reporters on Oct. 9, any stimulus package has to be quick in effect and temporary. Or, as Sen. Charles Grassley (R-Iowa) put it, it is important that any package “is truly a stimulative package and it not be Christmas-treed with a lot of pork barrel projects, special-interest projects that are really not stimulative.”

At the committee level, however, an entirely different discussion is taking place. As *EIR* reported in last week’s issue, there is a growing movement in Congress to address the nation’s infrastructure deficit. This tendency lacks a unified focus, but it has resulted in a raft of hearings on the security of both hard and soft infrastructure from disaster and attack. Since the physical security of infrastructure is intertwined with its economic importance, these hearings have become platforms for exposing the decrepit state of U.S. infrastructure. The hearings have now covered the gamut—from railroads, to public health, to water supply and management, to the safety and security of the food supply.

On Oct. 9, the Senate Public Health Subcommittee held a hearing, chaired by Edward M. Kennedy (D-Mass.), on Effective Responses to the Threat of Bioterrorism, which heard from public health experts (see article, this issue).

Also on Oct. 9, the House Water Resources and Environment Subcommittee, chaired by John Duncan (R-Tenn.), held a hearing on the security of water distribution and navigation systems. Witnesses came from the Tennessee Valley Authority, the FBI, the Army Corps of Engineers, and the Environmental Protection Agency. What emerged, was not only the

vulnerability of water systems to terrorist attack, but also the inadequacy of water infrastructure, which has resulted from years of “re-inventing government” and “market-based economics.” A spokesman for the Association of Metropolitan Water Agencies made a request for \$5 billion, not only for increased security for water systems, but also to help revive the economy.

Redundancy Needed

At the same time, the Senate Energy and Natural Resources Committee, chaired by Jeff Bingaman (D-N.M.), held a hearing on legislation requested by the Bush Administration to increase security for dams and other infrastructure under the jurisdiction of the Bureau of Reclamation. Mary Landrieu (D-La.), using the oil and gas industry in Louisiana as an example, took the opportunity to point out that the vulnerability of energy infrastructure doesn’t come just from physical exposure, but also from inadequate capacity and lack of redundancy. She said that the Midwestern states obtain 25% of their gasoline supplies from the Gulf Coast, but there are only two pipelines to move that product. “In light of the events of Sept. 11,” she said, “we’ve got to look at this infrastructure with a different light.” Regardless of the kind of infrastructure, she said, “The Federal government has a clear and compelling interest in providing necessary resources to ensure that our energy infrastructure is sufficiently protected.”

On Oct. 10, the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee held a hearing chaired by Jim Greenwood (R-Pa.) on “A Review Of Federal Bioterrorism Preparedness Programs From A Public Health Perspective.” As in the Senate hearing the day before, the witnesses focussed much attention on the fact that hospitals and public health systems have been grossly underfunded for more than 20 years, and as a result, are not even capable of handling a flu epidemic, much less the chaos that would result from a deliberate mass release of a biological toxin such as smallpox or anthrax. A key part of the policy hegemonic since the 1970s was hit upon by Greg Ganske (R-Iowa), long a proponent of patients rights legislation. He told the hearing that “under the HMO [health maintenance organization] model of health care, in this country, we have wrung out of the health care system any redundancy, in the quest for efficiency. . . . There is no room for the surge of an epidemic in the health care system, today, because of the HMOs’ contracting of the health system.”

That same afternoon, the Oversight of Government Management, Restructuring and the District of Columbia subcommittee of the Senate Governmental Affairs Committee held a hearing, chaired by Richard Durbin (D-Ill.), on the safety and security of the nation’s food supply. Durbin has introduced a bill to consolidate all of the government’s food safety and security functions, now spread across 12 agencies, into one agency. As with the public health system, strength-

ening the food inspection system would not only better protect the public against an attack on the food supply, but it would also further reduce the risk of accidental outbreaks of food poisoning.

While these efforts have yet to overturn the recent decades' paradigm of budget control and cost cutting, they represent increasing recognition on Capitol Hill of the vital role government must play in developing and maintaining physical infrastructure. This recognition is leading some to the thought that promoting the general welfare is the same as providing for the common defense.

Senators: Infrastructure Spending Stimulus Needed

On Oct. 9, eleven members of the Senate Environment and Public Works Committee sent a letter to Senate leaders outlining programs that could be included in an economic stimulus package. Signers are: Committee Chairman Jim Jeffords (I-Vt.), Bob Smith (R-N.H.), Harry Reid (D-Nev.), John Warner (R-Va.), Bob Graham (D-Fla.), Hillary Rodham Clinton (D-N.Y.), James Inhofe (R-Okla.), Jon Corzine (D-N.J.), Michael Crapo (R-Id.), Lincoln Chafee (R-R.I.), and Arlen Specter (R-Pa.). Excerpts of the letter follow:

As you develop an economic stimulus package, there are a number of programs within the jurisdiction of the . . . Committee which could be included in such a proposal. We make this request guided by the principles that a stimulus package should be targeted to address the needs of those affected by recent events, should increase near and long-term employment, and must carefully avoid large increases in deficit spending. We have identified five specific programmatic areas within our jurisdiction that are appropriate for inclusion and would abide by the principles articulated above:

1. *Disaster Unemployment Assistance.* Implemented by the Federal Emergency Management Agency (FEMA), the Disaster Unemployment Assistance Program provides payments to those directly impacted by a disaster. It is critical to those affected by the recent attacks that this program be modified to ensure that statutory or administrative deadlines not operate to deny compensation. . . .

2. *Transportation Investment.* Investment in our nation's transportation infrastructure can play a critical role in our efforts to reinvigorate the economy. Through spending on roads, bridges, and other transportation capital, we create jobs and stimulate economic activity for both the near and mid-term. Infrastructure improvements enhance our communities, increase the value of property, and promote additional investment. With a useful life of many decades, transportation investments afford a continued and steady return.

. . . We are proposing a \$5 billion one-time increase of



Sen. Harry Reid (D-Nev.), one of several Senators calling for massive investment in infrastructure as part of a stimulus spending package.

Federal highway obligation authority to states. The funds would be distributed under existing formulas and would generally be governed by existing program requirements. This investment would create roughly 75,000 jobs within the first year and an additional 100,000 jobs in the following year. Additional investment in our highways and bridges, together with increased funding of our transit and rail infrastructure, would yield a balanced transport system supporting economic growth, improved productivity, and more livable communities. . . .

4. *Flood Control, Navigation, Restoration and Shoreline Protection.* The [Army] Corps [of Engineers] . . . estimates that ongoing construction projects in these areas are artificially constrained by budgetary limitations. Without such constraints, it is estimated that \$1.2 billion could be expended in FY02 on current projects.

5. *Clean Water and Drinking Water Infrastructure.* Although Americans take clean, safe water for granted, our drinking and wastewater infrastructure is in disrepair throughout the nation, with literally billions of dollars in documented critical needs. This has been a consistent area of Committee attention and investigation over the last several years. The Environmental Protection Agency operates State Revolving Funds (SRF) for wastewater and drinking water to provide assistance to states and localities seeking to meet these needs. As increasingly more stringent Clean Water Act and Safe Drinking Water Act requirements have been instituted in recent years, however, a consensus has developed around the principle that the Federal government must do more to assist communities to meet these requirements. Accelerating improvements in the security of clean water and drinking water is also imperative.

. . . We recommend funding between \$1 and \$5 billion in Federal matching grants to states and municipalities for the purpose of upgrading this critical, but aging and failing infrastructure. . . . We believe that if carefully crafted to avoid long-term budget deficits, appropriate infrastructure investment can translate into a direct investment in our people, our communities, and our future as a nation.

‘Stimulating’ The Crash

No one of the “economic stimulus” packages announced or discussed by the Federal Reserve or the White House since Sept. 11, will “stimulate” anything but the global financial crash.

Some of these cash “stimulus” proposals are intended to sacrifice government tax revenue—urgently needed for rebuilding of economic infrastructure and job creation in depression conditions—and attempt to send that wealth instead into sinking financial markets, which cannot be saved. Other “stimulus packages” are intended to cover very large, unpayable debts—airline debts, insurance industry debts, debts of companies whose stocks or acquisitions have collapsed, and so forth—debts which should be placed in orderly bankruptcy instead, by government action, as proposed long before by Lyndon LaRouche.

The International Monetary Fund has shown this debt-bailout strategy to be a failure everywhere, imposing it on nations in economic depression all over the world—the only difference in the United States now, is the far bigger size of the bailout packages being started down the track. This strategy is a piece with the wild pumping of liquidity into the banking system by Alan “Greenspan”: It is taking the 10-megaton global debt explosion now under way, and feeding it into a 100-megaton catastrophe shortly down the road.

Now enter Lazard Frères senior banker Felix Rohatyn, to try to convince American elected officials that this stimulation of crashing markets is really infrastructure-building. This is the same Rohatyn who, in August, put into circulation a phony “New Bretton Woods conference” call, without content. Its purpose was to divert attention from Lyndon LaRouche’s clear and universally known New Bretton Woods proposal to reorganize the collapsing monetary system and revive world trade.

Now in an Oct. 9 *New York Times* op-ed, Rohatyn called for pumping \$50-100 billion into Lower Manhattan, and called it “infrastructure.” Felix nearly gave a Wall Street admission about LaRouche’s characterization of the condition of the U.S. economy: “a hard recession,” Felix called it, which could “turn into a

real depression.”

Rohatyn then demanded the cash for Wall Street, straight from the Treasury: The Federal government should help New York cover the losses of a financial and fiscal disaster, with a package of up to \$100 billion. This with no suggestion of what would be built or rebuilt. Infrastructure?—private and public pension funds will pay for building infrastructure, said Felix, with Federal guarantees. Just the way that no significant economic infrastructure has ever been built, in the country’s history.

Very well—financial establishment spokesman Felix Rohatyn acknowledges, discreetly in an op-ed, that some kind of depression looms over the United States. Do we need financial stimulus?

No, we need competent, truthful leadership, as we did in 1932-33. That quality of leadership means LaRouche, whose long-known “Chapter 11” depression-recovery measures oppose the doomed Rohatyn-style bailouts. Forget the propaganda that the Sept. 11 attacks “caused an economic crisis”; they simply “caused” Greenspan and Wall Street to launch and demand immediate, huge speculative bailouts which they had already desperately wanted. We were already in the final, breakdown phase of the existing world monetary and financial system, well before the events of Sept. 11, which have made the crisis worse.

The state of U.S. manufacturing, of job losses and unemployment, of bankrupt economic sectors, of the stock markets, is just what LaRouche forecast it would be at this time, *during his 1999-2000 campaign for the Democratic Presidential nomination*, when he was completely censored by the U.S. media and defrauded by the Democrats backing Al Gore. LaRouche was the only U.S. political leader who spoke about the coming collapse during that campaign. He is the only one telling the truth now. He is calmly working for a combination of governments and political leaders for a bankruptcy reorganization of the collapsed monetary system and a New Bretton Woods to replace it. In this crisis, LaRouche’s leadership is the only stimulus the United States needs.

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- CHICAGO—Ch. 19
Wed, 10/24—6 pm
Mon, 10/29—11:30 pm
- QUAD CITIES
AT&T Ch. 6
Mondays—11 pm
- PEORIA COUNTY
AT&T Ch. 22
Sundays—7:30 pm
- SPRINGFIELD—Ch.4
Wednesdays—5:30 pm

INDIANA

- DELAWARE COUNTY
Adelphia Ch. 42
Mondays—11 pm

IOWA

- QUAD CITIES
AT&T Ch. 75
Mondays—11 pm

KENTUCKY

- LATONIA—Ch. 21
Mon.-8 pm; Sat.-6 pm
- LOUISVILLE—Ch.98
Fridays—2 pm

LOUISIANA

- ORLEANS PARISH
Cox Ch. 78
Tue., Thu., Sat.
4:30 am & 4:30 pm

MARYLAND

- A. ARUNDEL—Ch.20
Fri. & Sat.—11 pm
- BALTIMORE—Ch. 5
Wed.: 4 pm, 8 pm
- MONTGOMERY—Ch.19/49
Fridays—7 pm

PG COUNTY—Ch.15

- Mondays—10:30 pm
- W. HOWARD COUNTY
MidAtlantic Ch. 6
Monday thru Sunday—
1:30 am, 11:30 am,
4 pm, 8:30 pm

MASSACHUSETTS

- AMHERST—Ch. 10*
- BOSTON—BNN Ch.3
Thursdays—3 pm
- WORCESTER—Ch.13
Wednesdays—6 pm

MICHIGAN

- BATTLE CREEK
ATT Ch. 11
Mondays—4 pm
- CANTON TOWNSHIP
MediaOne Ch. 18
Mondays—6 pm

DEARBORN HEIGHTS

- MediaOne Ch. 18
Mondays—6 pm

GRAND RAPIDS

- GRANT CH. 25
Fridays—1:30 pm
- KALAMAZOO
Cablevision
Thu-11 pm (Ch.31)
Sat-9:30 pm (Ch.33)

MT. PLEASANT

- Charter Ch. 3
AT&T Ch. 5:30 pm
Wednesdays—7 am
- PLYMOUTH—Ch.18
Mondays—6 pm

MINNESOTA

- ANOKA—Ch. 15
Thu.—11 am, 5 pm,
12 Midnight
- COLD SPRING
U.S. Cable Ch. 3
Nightly after PSAs
- COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—5:30 pm

EAGAN/BURNSVILLE

- AT Ch.14,57,96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 pm

FRIDAY

- Time Warner Ch. 5
Fridays—7 pm
Saturdays—8:30 pm
- MINNEAP.—Ch.32
Wednesdays—8:30 pm
- NEW ULM—Ch. 12
Fridays—5 pm

PROCTOR/

- HERMANTOWN—Ch.12
Tue. btw. 5 pm - 1 am
- ROSEVILLE
AT&T Ch. 14
Tue.—5 pm & 11 pm
Wed.—5 am & 11 am

ST.CROIX VALLEY

- Valley Access Ch. 14
Thursdays—4 & 10 pm
Fridays—8 am
- ST.LOUIS PARK—Ch.33
Friday through Monday
3 pm, 11 pm, 7 am

ST.PAUL (city)

- SPNN Ch. 33
Saturdays—10 pm
- ST.PAUL (NE burbs)*
Suburban Community
Ch.15

ST.PAUL (S&W burbs)

- AT&T Ch. 15
Tue & Fri—8 pm

MISSOURI

- ST.LOUIS—Ch. 22
Wed.-5 pm; Thu.-Noon

NEBRASKA

- LINCOLN
Time Warner
Channels 80 & 99

Citizen Watchdog

- Tue.—6 & 7 pm
Wed.—8 & 10 pm

NEVADA

- CARSON CITY—Ch.10
Sun-2:30 pm; Wed-7 pm
Saturdays—3 pm

NEW HAMPSHIRE

- CLAREMONT
AT&T Ch. 8*

NEW JERSEY

- MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm

NEW MEXICO

- ALBUQUERQUE
Jones Ch. 27
Thursdays—4 pm
- LOS ALAMOS
Adelphia Ch. 8
Sundays—7 pm
Mondays—9 pm

TAOS

- Adelphia Ch. 2
Mondays—7 pm

NEW YORK

- AMSTERDAM
Time Warner Ch.16
Thursdays—4:30 pm
- BROOKHAVEN
(E. Suffolk)
Cablevision Ch.1/99
Wednesdays—9:30 pm

BROOKLYN—BCAT

- Time Warner Ch. 35
Cablevision Ch. 68
Sundays—9 am

BUFFALO

- Adelphia Ch. 18
Tuesdays—7 pm
- HORSEHEADS—Ch.1
Mon., Fri.—4:30 pm

HUDSON VALLEY

- Cablevision Ch. 62/90
Fridays—5 pm

ILION—T/W Ch. 10

- Saturdays—12:30 pm
Mondays—7 pm
Thu.—9:30 am & 7 pm

JOHNSTOWN—Ch. 7

- Tuesdays—4 pm

MANHATTAN—MNN

- T/W Ch. 34; RCN Ch.109
Alt. Sundays—9 am
- NASSAU—Ch. 71
Fridays—4 pm

NIAGARA FALLS

- Adelphia Ch. 24
Thursdays—10:30 pm
- ONEIDA—T/W Ch.10
Thursdays—10 pm

PENFIELD—Ch.12

- Penfield Community TV*
- POUGHKEEPSIE—Ch.28
1st, 2nd Fridays—4 pm
- QUEENSBURY—Ch.71
Thursdays—7 pm

RIVERHEAD—Ch.27

- Thursdays—12 Midnight

ROCHESTER—Ch.15

- Fri-11 pm; Sun-11 am
- ROCKLAND—Ch. 71
Mondays—6 pm

SCHENECTADY—Ch.16

- Tuesdays—10 pm
- STATEN ISL.—Ch.57
Thu.—11 pm; Sat-8 am
- SUFFOLK—Ch. 25
2nd, 4th Mon.—10 pm

SYRACUSE—T/W

- City: Ch. 3
Suburbs: Ch. 13
Fridays—8 pm
- TOMPKINS COUNTY
Time Warner
Sun.—9 pm (Ch.78)
Thu.—6 pm (Ch.13)
Sat.—9 pm (Ch.78)

TRI-LAKES

- Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
- UTICA—Ch. 3
Mondays—6 pm
- WATERTOWN—Ch. 2
Tue. betwn. Noon-5 pm

WEBSTER—Ch. 12

- Wednesdays—8:30 pm
- WESTFIELD—Ch.21
Mondays—12 Noon
Wed., Sat.—10 am
Sundays—11 am

W. MONROE

- Time Warner Ch. 12
4th Wed.—1 am
- W. SENECA—Ch.68
Thu.—10:30 pm

NORTH CAROLINA

- MECKLENBURG
Time Warner Ch. 18
Saturdays—12 Noon

OHIO

- AMHERST
Amherst City Cable*
- FRANKLIN COUNTY
Ch. 21: Sun.—6 pm
- OBERLIN—Ch.9
Tuesdays—7 pm
- REYNOLDSBURG
Ch. 6: Sun.—6 pm

OREGON

- CORVALLIS/ALB.
AT&T Ch. 99
- TUESDAY—1 pm
- PORTLAND
AT&T Ch. 22
Tuesdays—6 pm
Thursdays—3 pm
- SALEM—ATT Ch.28
Tuesdays—12 Noon
Thu.—8 pm; Sat.-10 am
- SILVERTON
SCANNV Ch. 10
Alt. Tuesdays
12 Noon, 7 pm

WASHINGTON—ATT

- Ch.9: Tualatin Valley
Ch.23: Regional Area
Ch.33: Unincorp. Towns
Mon-5 pm; Wed-10 am;
Sundays—10 am

RHODE ISLAND

- E. PROVIDENCE—Ch.18
Tuesdays—6:30 pm
- STATEWIDE
R.I. Interconnect*
Cox Ch. 13
Full Ch. 49

TEXAS

- EL PASO—Ch.15
Wednesdays—5 pm
- HOUSTON
Houston Media Source*
Sat, 10/20: 10 am
Mon, 10/22: 5:30 pm
Thu, 10/25: 5:30 pm
Sat, 10/27: 10 am
Mon, 10/29: 9 pm

UTAH

- GLENWOOD, Etc.
SCAT-TV
Ch. 26,29,37,38,98
Sundays—about 9 pm

VIRGINIA

- ARLINGTON
ACT Ch. 33
Mondays—4:30 pm
Tuesdays—9 am
- CHESTERFIELD
Comcast Ch. 6
Tuesdays—5 pm
- FAIRFAX—Ch.10
Thursdays—12 Noon
- LOUDOUN
Adelphia Ch. 23/24
Thursdays—7 pm
- ROANOKE—Ch.9
Thursdays—2 pm

WASHINGTON

- KING COUNTY
AT&T Ch. 29/77
Sundays—6 pm
- SPOKANE—Ch.14
Wednesdays—6 pm
- TRI-CITIES
Falcon Ch. 13
Mon-Noon; Wed-6 pm
Thursdays—8:30 pm
- YAKIMA—Ch. 9
Sundays—4 pm

WISCONSIN

- KENOSHA—Ch.21
Mondays—1:30 pm
- MADISON—Ch.4
Tue-2 pm; Wed-11 am
- MARATHON COUNTY
Charter Ch. 10
Fridays—9:30 pm;
Thursdays—12 Noon

WYOMING

- GILLETTE—Ch.36
Thursdays—5 pm

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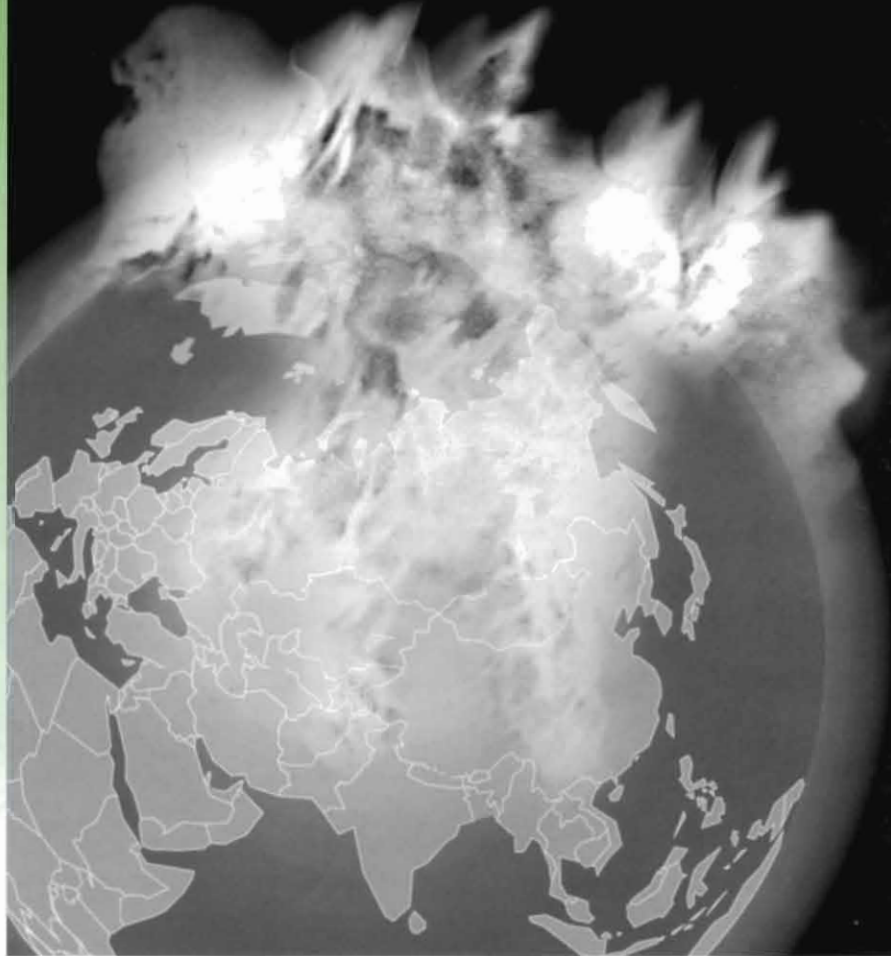
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