

## Electronic Intelligence Weekly

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## This Week You Need to Know

### The Pollard Affair Never Ended!

Lyndon LaRouche reports that there is now firm evidence that the ongoing drive to induce President George W. Bush to launch a war against Iraq, is a 1996 Israeli government policy that is being foisted on the President by a nest of Israeli agents inside the U.S. government. This Israeli spy network inside the United States was unable to achieve their objective until President Bush was entrapped by the events of Sept. 11, 2001 and the falsified accounts of those events provided by this foreign intelligence apparatus, and lured over to their policies. Lyndon LaRouche demands to know: Is this not the motive that explains the who and why of the attacks of Sept. 11, 2001? LaRouche demands an immediate Congressional investigation, to help purge the U.S. government of this foreign intelligence apparatus, which attempted, with the 9/11 events, to seize control over U.S. foreign policy. The network of Pollard "stay-behinds" inside the Bush Administration is engaged in a witting hoax, to induce the President and the U.S. Congress to go to war.

When you read the summary evidence below, you will certainly share Lyndon LaRouche's conclusion that all of these people must be immediately fired from their Administration posts, and that the U.S. Congress must launch public hearings to get to the bottom of this criminal scheme.

The summary facts are as follows:

On July 8, 1996, Richard Perle, now the Chairman of the Defense Policy Board, an advisory group that reports to Deputy Defense Secretary Paul Wolfowitz, presented a written document to Israeli Prime Minister Benjamin Netanyahu, spelling out a new Israeli foreign policy, calling for a repudiation of the Oslo Accords and the underlying concept of "land for peace"; for the permanent annexation of the entire West Bank and Gaza Strip; and for the elimination of the Saddam Hussein regime in Baghdad, as a first step towards overthrowing or destabilizing the governments of Syria, Lebanon, Saudi Arabia, and Iran. The document was prepared for the Jerusalem and Washington, D.C.-based Institute for Advanced Strategic and Political Studies (IASPS), a think tank financed by Richard Mellon Scaife. The report, "A Clean Break: A New Strategy for Securing the Realm," was co-authored by Perle; Douglas Feith, currently the Assistant Secretary of Defense for Policy; David Wurmser, currently special assistant to State Department chief arms control negotiator John Bolton; and Meyrav Wurmser, now director of Mideast Policy at the Hudson Institute.

Two days after he received the foreign policy blueprint from Perle, Israeli Prime Minister Netanyahu delivered a speech before a joint session of the U.S. Congress, which strongly echoed the IASPS outline. The same day, the *Wall Street Journal* published excerpts from the IASPS document, and the next day, July 11, 1996, the *Journal* editorially endorsed the Perle document.

Beginning in February 1998, the British government of Prime Minister Tony Blair launched a concerted effort, in league with the Netanyahu government in Israel, and the Perle Israeli agent-of-influence networks inside the United States, to induce President William Clinton to launch a war against Iraq, under precisely the terms spelled out for Netanyahu in the

"Clean Break" paper. The war was to be launched, ostensibly, over Iraq's possession of "weapons of mass destruction." United Nations weapons inspectors were, at this time, still on the ground inside Iraq.

To buttress the war drive, British Foreign Secretary Robin Cook issued an official lying "white paper" on the Iraqi drive to obtain WMD. On Feb. 19, 1998, Richard Perle and former Congressman Stephen Solarz released an "Open Letter to the President," demanding a full-scale U.S.-led drive for "regime change" in Baghdad. The dangerously incompetent military scheme for the overthrow of Saddam that was published in the Open Letter, has been recently revived by the Perle-led network of "chicken hawks" in the office of the Secretary of Defense— but has been summarily rejected by the Joint Chiefs of Staff. Among the signators on the original Perle-Solarz letter were the following current Bush Administration officials: Elliott Abrams (National Security Council), Richard Armitage (State Department), John Bolton (State Department), Doug Feith (Defense Department), Fred Iklé (Defense Policy Board), Zalmay Khalilzad (White House), Peter Rodman (Defense Department), Donald Rumsfeld (Secretary of Defense), Paul Wolfowitz (Defense Department), David Wurmser (State Department), and Dov Zakheim (Defense Department).

President Clinton rejected the February 1998 demand for war, sending both Netanyahu and Blair into fits of rage.

On Aug. 6, 1998, Angelo Codevilla, the Washington, D.C. co-director of IASPS (along with David Wurmser), penned an op-ed in the *Wall Street Journal*, demanding the freeing of convicted Israeli spy Jonathan Pollard. Codevilla argued that Pollard had been right to pass U.S. classified material to Israel, because of the threat posed by Saddam Hussein. Days later, two members of the Netanyahu cabinet contacted Vice President Al Gore, demanding Pollard's release.

After again rejecting the Netanyahu and Blair demands for war on Iraq in November 1998, President Clinton— under the impeachment onslaught, led by the Mellon Scaife-funded apparatus— finally caved in and authorized Operation Desert Fox in December 1998, as he was returning on Air Force One from a visit to Israel. But the 70 days of bombardment did not eliminate the Saddam Hussein regime, and the issue remained dormant for the next three years ... until Sept. 11, 2001.

Within moments of the 9/11 attack on Washington and New York, the same Pollard-linked American networks who had designed the Netanyahu foreign policy were on the warpath, demanding that President Bush go to war against Iraq, despite the fact that, to this day, there is no plausible evidence linking Iraq to the September 2001 irregular warfare attacks. The Sharon government in Israel instantly declared that the attack had been ordered by Saddam Hussein, and called for massive retaliation against Baghdad.

On Sept. 22, 2001, Deputy Defense Secretary Paul Wolfowitz made a feverish pitch for war on Iraq at a Camp David meeting with President Bush and most of the Cabinet. Wolfowitz had been brought into the inner circle of George W. Bush a year before the 2000 Presidential elections, at the initiative of former Secretary of State George Shultz. By 1999, Wolfowitz and Condi Rice had become co-responsible for pulling together the Bush campaign foreign policy and national security team, which Ms. Rice dubbed "The Vulcans." Wolfowitz immediately brought "X Committee" Israeli agent-of-influence Richard Perle into the inner sanctum, from where he has been peddling the Netanyahu-Israeli foreign policy agenda from day one. Perle most recently staged the July 10, 2002 Defense Policy Board session, which demanded the purging of the Joint Chiefs of Staff of all opponents of the Iraq war, and called for a U.S. military occupation and takeover of the Saudi oil fields and a total break with the House of Saud— just as his July 1996 IASPS "Clean Break" study had proposed.

This is but the briefest of summaries of the massive evidence in hand. The current campaign to induce President Bush and the U.S. Congress into a war with Iraq, one that would surely unleash the "Clash of Civilizations," is a direct continuation of the Pollard affair. President Bush is being pressured— from inside his own national security apparatus— to adopt an Israeli Likud foreign policy! What nation is dictating policy to the United States? This is a scandalous hoax, far worse than the Gulf of Tonkin affair of the late 1960s.

From the point that Perle, Feith, the Wurmsers, et al. first delivered the "Clean Break" policy to Netanyahu, this crowd has been obsessed with inducing the United States government to adopt and implement it. All prior efforts failed, until Sept. 11, 2001 created a new context for reviving and pushing it— under the guise of the "war on terrorism." Does this raise questions about the true, mysterious authors of the 9/11 attack? What are the links between the events of Sept. 11 and the subsequent unabated drive for war against Iraq?

From Perle and Feith, to others pressing the Netanyahu scheme from outside the Administration— including Frank Gaffney, Steven Bryen, and Michael Ledeen— the entire crew were among the leading suspected Israeli spies, tasking Jonathan Pollard to steal the most precious national security secrets of the U.S.A., from inside the Reagan-Bush national security apparatus. They avoided prosecution, and later emerged as "The Vulcans," assigned to "teach" President Bush the ins and outs of foreign and national security policy. Isn't it time that these co-conspirators joined Jonathan Pollard behind bars? Isn't it time for President Bush to give these clowns a "September Surprise"?

## *Flash:*

### **LaRouche Featured on 'Message to the World,' — Gaza Strip's Only Remaining TV Station**

*Lyndon LaRouche was interviewed live, by telephone, by Usama Sabawi, from Palestinian Satellite TV, on Tuesday night, Aug. 27. This is at present the only TV station left in Gaza, as the other one was bombed by the Israelis. Due to technical difficulties— there was shelling going on in Gaza during the interview— some of the questions could not be heard, and are paraphrased. The show, "Message to the World," which conducted the 30-minute interview with LaRouche, was broadcast in English all over the Arab world, and in the United States. A photo of LaRouche was shown on the television screen, during the entire interview.*

*Sabawi:* Good morning, Mr. LaRouche. It's a pleasure to have you with us on the show, and, unfortunately, we're talking from difficult circumstances as you heard me, Israelis are a few meters away from our headquarters, and any time, we might have to stop transmission and evacuate the building, but please, the rest of the viewers are interested in your opinion on what's really going on right now in Palestinian-Israeli conflict.

*LaRouche:* I'm having terrible trouble hearing you. I hear you in the background saying some words, but they're not getting through. I understand your difficulties at this time.

*Sabawi:* Okay, I will repeat again. Let's try to hear— . What do you think is the solution in order to achieve peace with the Israelis?

*LaRouche:* Well, obviously, from, as you know, from my past background over a quarter-century, I've been very much concerned with this business in the Middle East and Palestinian justice. At present, it's obvious that a certain faction in Israel typified by Shamir earlier, or Sharon or Netanyahu, who are the hard-core of the old Jabotinsky apparatus, are now hoping now that the United States will start an attack on Iraq, which would then enable Sharon, under that cover, to begin the exodus of the Palestinian people in large numbers across the Jordan River into Jordan, in accord with their policy. If this happens, I don't think anybody knows how hellish the world as a whole will tend to become. That is, if President Bush were to actually launch an attack on Iraq, I don't think anybody can calculate how bad the result will be for the history of most of mankind, not just that region. And thus, to me, this cause of coming back at least to the level of the Rabin

agreements with Chairman Arafat, that agreement must be restored, otherwise, we're going to have this lingering threat, not only to the Palestinian people, but to the people of the entire region.

*Sabawi:* Mr. LaRouche, I hope you can hear me this time. My question now is, if that's the way they're thinking, and this is their ideology, why did the Israelis sign a peace agreement with the Palestinians, if they don't admit our right of existence and peace, and the concept of land in exchange of peace?

*LaRouche:* Well, there are, probably, three issues involved. First of all, among European Jews, in the Moses Mendelssohn tradition, the idea of ecumenical peace, is natural. Then, you have those in Israel who are not otherwise fascists, who are Zionists, who like Rabin, recognize, as a matter of practicality, that Israel could not continue to exist, unless it established just relations with the Palestinians. The third group is a group that actually wants to exterminate any Palestinian existence, in terms of what they call Eretz Israel. In some cases, this means the River Euphrates, as the border of Israel, so we have these three conditions.

The case of Rabin, I think is the middle position: that as a practical matter, and as a humane matter, they must find reconciliation with the Palestinians, between the Palestinians and the Israelis. That's the positive factor, I think we can shoot for. My own view is more consistent with the Moses Mendelssohn view, of an ecumenical peace among all peoples, especially peoples of the Christian, Islamic, and Jewish faiths. That's my objective, but I would settle, in the meantime, as a practical matter, for going back to the "peace of the brave," as [it was] described between Rabin and Arafat.

## The Role of the United States

*Sabawi:* What is the role of the U.S. in the Middle East during the current conflict? Do you think the current American administration is playing a fair role for our case?

*LaRouche:* Of course not. No, there is not. We have in the United States a utopian faction, which includes people who are the financiers of Sharon. These are wealthy people, who have gangster backgrounds, family backgrounds. They call themselves, "from rackets, to riches, to respectability"—like the Bronfman interests, or the Lansky mob, and their descendants, who now control, for example, the Perle apparatus in the United States, which is behind Richard Perle and others. These people are, in a sense, really fascists. They are as bad as Sharon, perhaps worse. They are the people who've made possible this development inside Palestine, inside Palestine and Israel. It came largely from the United States, from these circles. At present, the President of the United States, and some of the leadership of the Democratic Party, as well, are fully in support of Sharon. President Bush may hate Sharon personally, but as a political reality, he is now committed to support Sharon, and to go with an Iraq war. So, that's our situation.

*Sabawi:* How, as an economist, and a professor in economy, and a politician, how do you see the impact of striking, against Iraq, on the U.S., and the world economy and policy?

*LaRouche:* Well, the point is, this is a war which the United States has the capability of doing great damage, vast damage. But it can not win the war. This is a situation similar to what Rabin said, in presenting his case for a "peace of the brave" with Minister Arafat. That is, that there is no possibility of winning such a war. There is no possibility of actually winning a secure peace through war by an attack upon Iraq. It can only ruin the region and, I think, all Arab governments, that I've heard from, agree on that, as well as others. Europe, I believe, Continental Europe agrees, a powerful faction in the United Kingdom agrees, most of Asia, I believe, agrees. Many of us in the United States agree.

My concern is: Here we are in a very dangerous economic crisis, collapse, and I think the President of the United States is inadequate to face the reality of that financial collapse. There are solutions, along the lines of Franklin Roosevelt's response

to the Depression of the 1930s. Those solutions would work. There are peaceful options. I can hope that our work in that direction will be successful. We're doing what we can. You'll find more and more people in the United States, by the day, including recently, General Zinni, who have pointed out, that only a person who is militarily incompetent would suggest the kind of policy which the President and the Vice President of the United States have lately presented.

*Sabawi:* [inaudible]... Why they are not allowing the United Nations to send— ? What do they gain out of this policy?

*LaRouche:* They don't gain anything out of it; they gain chaos, but when people are seized by an ideology, and are blind to reality, they ignore the consequences of their own actions. That's the situation now. No sane person would conduct the kind of policy which the United States is presently conducting toward the Middle East. But if you look at the point: All of the leading people behind supporting this policy are people who, in the time they should have had military service, avoided military service. Those who are professional military people, who are competent in military affairs, say, don't [support] it. Only a bunch of incompetents, many of whom were draft dodgers, are the ones who are pushing this wild policy now. The problem with the United States is that both parties are weak. They've been heavily corrupted. Their orientation over the recent decades, actually, has been downward. We have a pretty sick— .

I'm trying to save the United States. And I'm doing what I can, as probably one of the few standing political leaders left, to try to mobilize people around this issue. I think we're doing a fairly good job. I'm not satisfied, but I hope we can stop it.

## If LaRouche Were President of the United States

*Sabawi:* If you would become the President of the United States (which we would hope you would), what do you promise the Palestinians and the Arabs inside and outside the U.S.?

*LaRouche:* Well, what I'm doing presently is, there are a large number of Arab-Americans, and, of course, people in other parts of the Arab world, as well as elsewhere, with whom I am discussing these matters, and collaborating with as much as possible. But also in the United States, there are many groups called minority groups, and they share our concern, generally, about this Middle East crisis. My hope is that we can bring enough of them together, and I'm working to do that, to build an effective force to change the situation. The situation is not hopeless, the situation's a matter of timing. The question is: Will the attack on Iraq come before we can stop it? But, there are serious forces in the United States trying to stop this attack at this time. So, on that part, the Iraq thing, there is real concern, and there is, actually, resistance building up against it. It may not be obvious, or satisfactory to people in the Middle East, but it exists. My concern is to make that more effective.

*Sabawi:* How could the Arab and Muslims inside the United States get united, and influence the decision-making of the current American administration?

*LaRouche:* Well, first of all, I've always looked at this as an economic question. The Palestinian people were among the best educated in the Arab world. They are people with potential with running their own economy. They have the culture for it. The Arab people are not, of course, all of one faith, so, therefore, it's an ecumenical kind of thing. What is needed is large-scale water development, and energy resources for the Middle East because, presently, with the drainage of the aquifers, in that area, there is not enough water for the foreseeable future to meet the requirements of life for all the population. This is one of the aggravating factors. My concern has been, to get large-scale development projects, like the old Ledem [phon] idea, of getting water development, desalination methods, and energy resources in there, so that we have can viable states, which are self-sufficient.

*Sabawi:* What is your message to the world?

*LaRouche:* Well, I have a very impassioned personal sense of justice in this matter. I feel that I can feel some of the suffering, the desperation of the people in that region, as I do in other parts of the world, as parts of Africa, for example, where there's [been] grave suffering inflicted. Now, in parts of South and Central America, we have similar situations, not as bad, but we have to understand, that we, as human beings, are different than animals. That through our power of ideas, which is a gift given to us in the image of the Creator, we have the ability to act and make discoveries, which we transmit as experiences to our children and grandchildren, and so forth, through which we are able to honor our indebtedness to the work of our predecessors.

If we can have that kind of conception of man, man as made in the image of the Creator, and our obligations toward one another, I think the very crisis that threatens us means that, perhaps, we will learn a lesson, and finally build relations among peoples, provide justice for peoples on the basis of this notion, this ecumenical notion of man as made in the image of the Creator. That must move us, because I think that a person who does not have that view does not have the strength to withstand the kind of problems we face today.

*Sabawi:* [Thanks LaRouche for being a guest.]

*LaRouche:* Thank you very much.

(See [\*THIS WEEK IN HISTORY\*](#) for more about the Oslo Accords, and the "peace of the brave.")

## U. S. Economic News Digest

### Manufacturing Employment Falls for 24th Straight Month

In August, the official level of unemployment dropped to 8.142 million workers, compared to 8.345 million in July, a fall of 203,000, while the official U.S. unemployment rate dropped to 5.7%, compared to 5.9% in July, the Bureau of Labor Statistics of the U.S. Department of Labor announced. However, the real unemployment rate and level, as determined by *EIR*, are actually double the BLS official figures.

A marker for the growing real unemployment is that in August, manufacturing employment declined for the 24th consecutive month—two full years. Since August 2000, 1.872 million manufacturing payroll jobs have been eliminated from the U.S. economy. Of these workers, since the end of August 2000, some 1.488 million *production manufacturing* workers' jobs have been eliminated.

### U.S. Banks Plunge Headlong into Derivatives as Economy Nosedives

U.S. commercial banks reported \$50.6 trillion in derivatives as of June 30, up from \$46.5 trillion on March 31, according to the Federal Deposit Insurance Corp. (FDIC). The record for U.S. bank derivatives was \$51.7 trillion in the third quarter of 2001, after which derivatives fell sharply to \$45.5 trillion at year-end, for reasons which have not been officially explained but most certainly involve JP Morgan Chase.

The FDIC figures are for commercial banks only, while the Office of the Comptroller of the Currency (OCC) additionally reports the holdings of bank holding companies (BHCs), which also include investment banks owned by BHCs but are separate from the banks. According to the OCC, the top 25 U.S. BHCs had \$53.1 trillion in derivatives at mid-year.

Morgan Chase, ever resilient, increased its lead as the world's top derivatives bank-holding company, hitting \$26.4 trillion



in notional value, a \$2.3-trillion increase in three months, according to the OCC. Number two Bank of America joined the double-digit club for the first time with \$10.5 trillion, up from \$9.95 trillion, while Citigroup came in with a paltry \$9.5 trillion, up from \$9.2 trillion in the first quarter. Only two other U.S. bank holding companies, Wachovia (\$2.2 trillion) and Bank One (\$1.1 trillion), broke the trillion-dollar mark.

## Wall Street Police Blotter

As the global monetary-financial system collapses, never to recover, wrong-headed popular opinion screams for the Administration to punish greedy corporate executives, when the real culprit is the "shareholder value" system of policies such as deregulation, and privatization, launched more than 20 years ago, heralding the downshift from a producer society to a decadent consumer society. As the electable Lyndon LaRouche, Democratic 2004 Presidential pre-candidate, characterized this mass insanity, in a soon-to-be released *EIR* Special Report:

"The occurrence of what had been the inevitable collapse of Enron, has triggered a hue and cry against alleged 'bad apples' among prominent executives of corporate basketry. Foolish people now cry: 'Weed out the bad apples, and all will be well once again!' In fact, the badness of those apples, the inherent moral corruption of those apples, is an inevitable product of the system launched by Federal Reserve Chairman Paul Volcker in the fourth quarter of 1979, a system continued by Volcker and Alan Greenspan ever since: the so-called 'shareholder value' system. To clean up that system would require nullifying all of those relevant legislation and Federal court decisions since 1982, which favored the practices of Ivan Boesky, Michael Milken, the Keating Five, and George Soros. The rotten-apple system features the role and influence of the Democratic Leadership Council (DLC), deregulation, 'privatization,' and so on, which went into building such edifices as the financial architecture and corporate practices of Enron, the dot.com bubble, and the Fannie Mae-led mortgage bubble. The problem is not the apples; the source of the rot in those apples is the tree. The rot is the decadence built in, axiomatically, to the consumer society as a species of political-economic system and legal philosophy."

One of the leading developments in this mad rush, was the announcement by Federal prosecutors that they expect to file new charges, and possibly name new defendants, in the investigation of accounting fraud at *WorldCom*, the bankrupt telecommunications giant. At the arraignment of former chief financial officer *Scott Sullivan* and accounting executive *Buford Yates, Jr.*, both of whom pleaded innocent to charges they led a scam which, by hiding expenses, inflated earnings by \$5 billion from October 2000 through April 2002, Assistant U.S. Attorney David Anders said: "The government is continuing its investigation and we do plan to supersede at some point, to add charges to the same scheme and to potentially add defendants." Reportedly, the government is expected to make plea deals with lower-level employees to bring cases against top executives, including former chief executive *Bernard Ebbers*.

Both men were named in a seven-count indictment last week accusing them of securities fraud, as well as making false filings with the Securities and Exchange Commission, with possible 65-year prison terms and millions of dollars in fines. Sullivan remains free on \$10-million bail, while Yates was released on a \$500,000 bond.

Anders said the government was in plea negotiations with former comptroller *David Myers*, who along with accounting executives *Betty Vinson* and *Troy Normand*, was named as unindicted co-conspirator.

Other examples include:

\*The House Energy and Commerce Committee will decide by Sept. 10 whether to subpoena *Martha Stewart* to answer allegations of insider trading on her sale of *ImClone Systems* stock Dec. 27, or to conclude its investigation by sending a report to the Justice Department, possibly including a recommendation to press charges. The panel has evidence of a five-minute phone call from Stewart to former *ImClone Systems* CEO *Samuel Waksal* on Dec. 31, contradicting Waksal's claim that the two did not speak from Dec. 14 to Jan. 5.

\*Former *Sunbeam CEO "Chainsaw Al" Dunlap* agreed to pay a \$500,000 fine— the largest-ever against an individual in a civil fraud case— to settle SEC charges that he masterminded an accounting fraud that inflated the company's profits after he took over in 1996. Dunlap has also been banned from ever serving as an officer or director of a public company again. The Justice Department could still file criminal charges.

\**AOL*, now under investigation by the Department of Justice and the SEC, booked sales transactions during the 1990s, which the Sept. 3 *New York Post* described as "revenue voodoo." These barter deals were typical of the entire dot.com and telecom bubbles. An estimated one-third of AOL's marketing revenues, as of summer 1998, were due to initial public offering (IPO)-financed advertising on AOL by money-losing dot.coms, in which AOL was an investor. One recent example is AOL's "back-scratching deal" to invest up to \$50 million in *Oxygen Media*, which agreed to spend \$100 million for advertising on AOL.

\*Energy pirate *Williams Companies*, already under investigation by the SEC, is shifting \$1 billion of its assets onto the books of a subsidiary, in order to avoid filing for bankruptcy. The Tulsa, Okla.-based energy trader sold a pipeline division to *Williams Energy Partners*, which is 55% owned by the parent company, and whose board is controlled by the nucleus of Williams' management. Authorities may not let the deal stand. "We do have an investigation going on with Williams and we are looking into its relationships with its subsidiaries," said Oklahoma Securities Commission administrator Irving Faught.

### **Biggest Plunge in Federal Tax Receipts Since 1946**

The U.S. Federal government is experiencing the biggest plunge in tax receipts since World War II tax surcharges were repealed 56 years ago, Congressional Budget Office Director Dan L. Crippen told reporters Aug. 27. "Economists appeared to be at a loss to explain it," the *Washington Post* observed. "Crippen merely called it 'astounding.' "

Receipts in fiscal 2002, ending Sept. 30, fell for the second year in a row. CBO projects the year-to-year drop at \$131 billion, or 6.6%, the steepest percentage drop since 1946.

### **Consolidated Freightways Files for Chapter 11**

Consolidated Freightways, the nation's third-largest trucking company specializing in "less-than-truckload" shipments, filed for Chapter 11 bankruptcy protection Sept. 3. Consolidated operated about 6,600 truck-tractors, 27,000 trailers, and about 290 terminals in the United States. It employed 15,350 workers, most of whom were Teamsters, who were notified of their firings by e-mail at 5:00 a.m. on Sept. 3, and will receive one more paycheck, but no severance pay.

CF had recorded six straight quarters in which it did not have a measurable profit, and it recently failed in its efforts to obtain new financing from the banks to cover its current debts, as well as to obtain sufficient insurance coverage. With these multiple problems operating, what seems to have been the key process that drove CF into bankruptcy, was the declining volume of freight traffic, due to the downturn in physical goods flows in the U.S. economy.

### **Nearly Half of America's Poor Children Live in the South**

A report released last month by the Children's Defense Fund found that 45% of America's poor children live in the Southern states. The findings were presented to the Southern Governors Association, where CDF director Marian Wright Edelman called on the governors to pressure the Congress and the President to adopt pending legislation granting more funds to poverty programs, which no one believes is likely to happen any time soon. Edelman challenged the Southern



Governors to do more to eradicate poverty, saying, "A child who can't read ... is sentenced to an economic death." One-third of all America's children live in the South, the report states.

Some of the statistics on child poverty in the South:

- \*Child poverty, as of 2000, was at 17.4%.

- \*Although poverty among black children has decreased since 1989, it was still at 29.6% in 2000.

- \*3.7 million Southern children have no health coverage; this represents 41% of the nation's uninsured children;

- \*In 2000, 42% of poor children in the South lived with someone who had a full-time, year-round job; this was up from 26% in 1993;

Statistics for the nation as a whole show that 11,746,858 children under 18 lived in poverty in 1999; this is one in six children in the United States.

## World Economic News

### Swiss, German Reinsurance Firms Reeling from Stock Losses

The implosion of stock values over the past two and one-half years has had a mammoth impact on insurance firms worldwide, much of whose reserves were invested in stocks. The latest example is the announcement on Aug. 29 by Swiss Reinsurance, the world's second-largest reinsurer, that profits for the first half of 2002 had plunged 91% compared to 12 months before. Swiss Re explained that the dramatic decline in profits was not caused by Sept. 11, whose costs were already reported in last year's figures. Natural disasters, including the recent flooding in Central and Eastern Europe, also had a limited effect.

In fact, by far the biggest factor for the profit erosion, Swiss Re admitted, was the worldwide stock-market crash. Swiss Re, like other insurance firms, especially in Switzerland, decided during the stock-market boom of the late 1990s to lower the share of bonds and increase the share of stocks in its reserves. Swiss Re chief executive officer Walter Kielholz told a Zurich press conference that the firm may have to book additional write-offs "if stock prices don't improve." Swiss Re stocks on Aug. 29 had their biggest plunge since Sept. 11.

A similar case is Credit Suisse Group, which on Aug. 14 had to report a much bigger than expected quarterly loss of \$389 million. The firm owns Swiss insurer Winterthur, which earlier this year needed a capital injection of 1.7 billion Swiss francs to stay alive due to "negative equity market conditions."

Meanwhile in Germany, the world's largest reinsurer, Munich Re, on Aug. 29 reported a second-quarter loss of \$378 million, after writing down the value of its stock holdings by \$1.5 billion.

Swiss media on Sept. 1 reported that Zurich Financial Services, Europe's third-largest insurance firm, has suffered a 50% meltdown of its capital since the beginning of the year, and therefore will be forced to raise \$2.5 billion cash by selling new stocks. Zurich Financial Services will publish its quarterly figures on Sept. 5.

On Sept. 2, stock prices of European insurance companies accelerated their declines after Morgan Stanley lowered its

recommendation for the global insurance sector due to tumbling stock markets. If markets don't recover, said a Morgan Stanley expert, "a radical restructuring of the [insurance] industry appears inevitable" and this "will not be a happy event for ordinary shareholders."

## **Brazil Heads Toward Argentina-Style Blowout; Contractors Protest Infrastructure Cuts**

The Cardoso government of Brazil, in agreement with the IMF, raised its primary budget-surplus target from 3.75% to 3.88% of GNP, effective this quarter, according to leaks in Brasilia to the various Presidential candidates. Although not yet confirmed, the policy coordinator for government candidate Jose Serra, defended the increase as reflecting the worsening of the country's financial situation, thus lending credibility to the reports. To meet the new target would require that the government cut the equivalent of \$2.6 billion out of the budget *this month alone*, unless it can raise that amount in revenues. Tax revenues, however, are not increasing, but falling, at a rate which is accelerated by every cut in government investment and outlays.

The "primary budget surplus"—revenues minus all expenditures except debt service, with the "surplus" then used to pay that debt service—is equivalent in effect to the zero-budget deficit imposed by the IMF upon Argentina, which accelerated Argentina's fast-track to bankruptcy in 2001.

Brazil's budget has already been cut several times this year, including R\$5.3 billion (around US\$1.7 billion) last May.

Meanwhile, responding to the accelerating deconstruction of the economy, private contractors have threatened to take the Cardoso government to court for its cuts in infrastructure commitments. The president of the National Association of Highway Projects Companies (Aneor), Jose Pereira Ribeiro, sent a strong message to the Transportation Ministry, protesting the government's effective dismantling of its "Avanca Brasil" infrastructure program, and violation of its contractual agreements with private contractors around that program.

Initially, Avanca Brasil identified 387 priority infrastructure projects for public-private partnerships, with a multi-year commitment to see the projects through to completion. The projects included everything from roads to railways, port improvements, river dredging, telecommunications, and more.

The original 387 projects were then cut back to 64 projects last year, and just now, were cut again to a mere 24! Avanca head Jose Paulo Silveira tried to claim that the government is not abandoning the other projects, but just prioritizing funding for 24 chosen projects. This lie didn't satisfy the private contractors, some of whom have yet to be paid for work done in 2001, while only 37.4% of the work undertaken in 2002 has been paid for.

Aneor may sue the government for breach of contract, Pereira threatened in his letter. He also noted that the cuts will defer even more, any attack on the problem of unemployment in the country.

## **Uruguay Authorities Extend Bank Suspensions**

Uruguay's monetary authorities have extended for 30 days the suspension of two leading banks, in hopes that plans to recapitalize them privately will be successful. Both banks, the Banco de Credito, which is part of the Rev. Sung Myung Moon financial apparatus, and the Banco Comercial, partly owned by JP Morgan, Credit Suisse-First Boston (CFSB), and Dresdner Bank, were scheduled to be officially liquidated on Aug. 5. As a conditionality of the latest agreement with the IMF, the Central Bank has sworn not to bail out any failing banks.

At least 30,000 Banco Comercial clients are linked to the agricultural sector, and its liquidation would mean a catastrophe

for this crucial sector of Uruguay's economy. According to *La Republica*, 80% of the Comercial's clients have actually offered to swap their deposits for stock in the bank, to prevent its liquidation. Others are offering to convert their maturing investments into new fixed-term deposits (certificates of deposit), to help recapitalize it.

In the case of the Banco Comercial, the government stands to lose a great deal, should it be liquidated. According to a report in *La Republica* Aug. 22, last February the Uruguayan government signed a secret agreement with the bankrupt JP Morgan, CSFB, and Dresdner Bank, in which it promised that the state would guarantee the Comercial's liquidity and "financial solidity." Were the government not to comply, the agreement stipulated that the government would then have to buy all stock in the bank owned by those three foreign entities (in the range of 25% each), giving them the "absolute priority" to recoup any losses, above depositors and even the state. This is a scandalous case of foreign bank looting.

### **French Press Admit: The 'Recession' Is On**

The editorial boards of the economic supplements of *Le Monde* and *Le Figaro* seem to be considering, for the first time, the possibility of a recession, and perhaps even of a global depression.

*Le Monde de l'Economie* carries on its front page Sept. 3 a panicky article by its editor-in-chief, Serge Marti. "The black clouds are accumulating" this autumn, he states, analyzing the stock-market debacle. "Expected growth didn't take place and the double-dip scenario"—a falling stock market following just after the beginning of a new boom cycle—"is actually happening in the U.S.," he says, quoting from Otmar Issing of the European Central Bank. "It is not capitalism itself that is globally condemned, but one of its worst misadventures: an extreme form of finance capital."

The "crisis of confidence is extreme" in the markets, confirms a French expert. The present stock-market crash is not merely a repeat of the "tequila," "vodka," "samba," and other exotic crises, says Marti. This time "it is the heart of the system which is threatened by the risk, taken more and more seriously, of suffocation of the main financial flows towards the first economy of the world, and, by way of consequence, of other economies.... The specter of deflation provoked, not by a drop in demand but directly by a fall of prices of financial assets, is being raised.... A Japanese scenario which had been covered up until now, is resurfacing. Even the Federal Reserve has already thought about the strategy to be adopted were it to find itself in the same situation as in the early 1990s."

A separate article in *Le Monde's* economic supplement Sept. 4, reports that the European central banks are taking seriously the severe risk of a credit crunch. An article by Laurence Caramel reviews the grim perspectives for the world economy. "The illusions that the stock-exchange crisis would not affect growth are long gone," he states, wondering if we are not going towards a "recession." This will be determined by what happens in the U.S., where everything is dependent on the real-estate bubble. "The latest indicators, however, show that this trust is beginning to wither," says Caramel, indicating that the recent spectacular bankruptcies have led the U.S. investors to withdraw their money from mutual funds. Withdrawals reached \$49 billion in August, far surpassing Sept. 11, when only \$30 billion was withdrawn.

In terms of investment, there is no upswing in sight, says Caramel, who compares the present situation to that of the early 1990s. At that time, unable to go to the banks for money, companies borrowed directly from the financial markets. Today, their situation is too precarious to do the same, and the banks are reducing their own credits drastically. Between November 2000 and last July, outstanding banking credits and commercial paper went down from \$1.432 to \$1.116 billion. The danger, at this point, is a credit crunch.

### **Moody's: 'Reform' Could Lead to Financial Catastrophe in Japan**

Moody's Investors Service of Wall Street issued a warning Sept. 4 of a Japanese financial crisis as Nikkei share prices fell to a new 19-year low.

"Moody's believes that market reforms in the absence of financial-sector stabilization, which looks increasingly likely to require public funds injections, could prove catastrophic for the financial system," the statement said.

In April 2002, Japan had introduced a 10-million-yen limit on government guarantees for time deposits. As of April 2003, the unlimited guarantee on all other bank deposits will be cut to 10 million yen. However, there have been recent indications that Tokyo would delay or curtail this "reform."

"These efforts," says Moody's, "reflect the continuing challenges faced by the regulators to push through market reforms and, at the same time, preserve financial-sector stability.... However, the resulting conflicting messages serve to heighten anxiety over the state of the financial system and could exacerbate financial and economic difficulties."

Also, a fund manager at a Japanese firm was quoted in the press Sept. 4 saying that the stock-market "slide raises concerns over a possible financial-system meltdown, and that is reflected in the banks' share prices."

### **Nigeria Cuts Service on Foreign Debt; Funds Needed for General Welfare**

Nigeria has said it can no longer afford to service its \$33 billion in foreign debts because of plunging oil revenues and the failure of some of its privatization plans. Consequently, Central Bank governor Joseph Sanussi announced Aug. 27 that he had decided to halt all debt repayments. Sanussi said the shortfall in oil revenues had eaten away at Nigeria's foreign-exchange reserves, which had fallen to \$8.29 billion last month, from \$10.27 billion in December. Central Bank spokesman Tony Ede is quoted: "We are not saying that we will not pay. We will resume once our balance-of-payments problems are solved."

On Aug. 18, the Nigerian government announced it would be cutting down substantially on its external debt servicing to enable the government to commit more resources to the welfare of Nigerians, according to Dr. Magnus Kpakol, Chief Economic Adviser to the President.

The same day, the chief adviser also spoke on the privatization program, saying that, contrary to widespread belief, the administration was not privatizing for its sake. He said, "The government is not privatizing everything it sees. For example, we are not privatizing the ports as some people have falsely reported. Instead, we are enhancing private activity at the ports to make them more efficient. The government will always own the ports."

## **United States News Digest**

### **LaRouche's Voice To Be Heard in Nation's Capital**

Nancy Spannaus, the Independent Democrat running in Virginia for U.S. Senate against Republican incumbent John Warner, is launching a campaign of radio ads that hit hard on the economic collapse. Spannaus, who works closely with Lyndon LaRouche, is featuring LaRouche in her ads. The following are excerpts from the ads, which will begin running Monday, September 9.

In the first ad, LaRouche says:

"We are now in the greatest depression in more than 200 years.... This means that we either have to make some fundamental changes, away from the policies of the past 35-odd years, back to the policies of Roosevelt and the policies of

the post-Roosevelt period, from 1946 through 1964. We have to go back to that kind of economic system, *now*! Which means a regulated system, end privatization, end deregulation, end the funny monetary policies, all these things— get back to things that worked before, and do it immediately!"

Spannaus: "You've just heard Lyndon LaRouche, telling the truth. He's has been right, while all other economists have been terribly wrong. You have a choice: Either go down with a system that can't be saved, or follow the leadership of LaRouche.

"I'm Nancy Spannaus, the Democratic candidate for U.S. Senate in Virginia. Join me in supporting LaRouche's policy for an FDR recovery."

The second ad also features the FDR tradition, leading with a brief statement by Lyndon LaRouche saying,

"The great system of the past 35 years is disintegrating! And some people are still saying we must stay with the system. It's like saying, 'I got to take a ride in the sewer system; still with the system ...

"It's time for a Franklin Roosevelt. And the poor, the disenfranchised, the lost generation, that Franklin Roosevelt referred to as 'the forgotten man,' and our forgotten youth of today, are saying, 'We want a future.' And the job of anyone who's serious about politics is to give the American people, and the nation, a future."

### **Nevada's Neal Won Primary With Anti-Gaming Campaign**

Nevada State Senator Joe Neal won the Democratic primary for Governor of his state, in the primary election held on Sept. 3. Neal, a crusader against the gambling casinos and deregulation, and a close collaborator of the LaRouche movement, won 36% of the vote, with the casino-organized "None of the Above" vote coming in at 24%.

Neal bucked a Democratic Party decision not to challenge incumbent Republican Governor Kenny Guinn, who was endorsed by the AFL-CIO and the teachers' union. Neal filed at the last moment, and spent only \$300 on his campaign.

"I'm running against the gaming industry," Neal told AP on Election Day. Neal is proposing tax increases on the gambling interests in order to fund infrastructure projects, in a state which is facing a \$275-million budget shortfall over the next two years.

Neal spearheaded a successful effort to block energy deregulation in his state. Dereg had passed the Legislature in 1997, but after a mobilization by Neal, in April 2001, the Governor signed a bill ending sales of generating plants to privateer companies, and retaining state authority to set energy prices. Neal has travelled to California and Mexico with the LaRouche movement, to urge them not to destroy their own energy infrastructure with deregulation. He was interviewed in the July 26 issue of *EIR*.

### **Soros Exposed in New Nevada Dope Legalization Drive**

Wall Street's leading coup organizer and dope legalizer is financing, through his "philanthropic" fronts, a scheme to legalize marijuana use and cultivation— a would-be model for a full legalization agenda for recreational drugs. A referendum on the November ballot in Nevada would have voters legalize marijuana use, and would mandate that the state begin growing and retail distribution of the drug to anyone over 21 years of age.



This is the most far-reaching legalization scheme attempted in the United States to date, and George Soros has been the primary source of funding for the entire drug legalization drive— in the United States and around the world.

U.S. Presidential pre-candidate Lyndon LaRouche has posed the question about Soros' initiative: How can the United States expect to press Colombia and Peru to crack down on the drug cartels, when the same cartels are now attempting to establish a major beachhead inside the United States? LaRouche demanded to know. LaRouche also raised the question of Soros' ties to the Democratic Leadership Council of Al Gore, Joe Lieberman, and financial swindler Michael Steinhardt. LaRouche recalled the November 1998 public fit by then-Vice President Gore in Kuala Lumpur, Malaysia, against that country's Prime Minister, Dr. Mahathir. The Gore fit was provoked by Mahathir's public attacks on Soros's speculative financial assault on his country and other Southeast Asian nations.

Preliminary investigations have confirmed that the Nevada referendum is being run by a Washington, D.C.-based group, the Marijuana Policy Project, which receives direct funding from Soros, through the Drug Policy Foundation, which has received more than \$15 million from Soros in recent years. The Drug Policy Foundation recently merged with the Lindesmith Center, a project of Soros' Open Society Institute tax-exempt foundation. The new, unified entity, the Drug Policy Alliance, is run by Soros employee Dr. Ethan Nadelman. Soros has poured at least \$25 million into various dope legalization schemes over the past five years, and has vowed to substantially increase his bankrolling of the dope lobby efforts.

The Marijuana Policy Project was launched by a former official of the National Organization for the Reform of Marijuana Laws (NORML), the oldest of the drug legalization fronts now under the Soros umbrella. Rob Kampia, the ex-NORML staffer, was also the Libertarian Party candidate for the Washington D.C. U.S. Delegate seat held by Eleanor Holmes Norton. The Presidential candidate on that Libertarian Party slate, Harry Browne, travelled the United States, during his 1996 and 2000 campaigns, accompanied by bodyguards from the Las Vegas casinos, according to eyewitness accounts.

MPP created a local front group, Nevadans for Responsible Law Enforcement, headed by MPP official Billy Rogers. The group paid out at least \$375,000 to get the pot legalization referendum on the November Nevada ballot. A previous Nevada ballot initiative, legalizing the use of marijuana as a prescription medicine, was financed by Soros, along with Arizona Republican Party moneybags John Sperling and Ohio insurance magnate Peter Lewis. The current Republican Governor of Nevada signed that referendum into law.

### **Dick Armey Explains His View on Iraq**

Top Republican Dick Armey, who made headlines by distancing himself from President Bush on the Iraq issue, was asked if he thought the press reactions had been overblown. He disagreed, saying, he had not been fully understood. "I was trying to talk about who we are as a nation. I think we're somebody special. And we're not an aggressor. When somebody is compromising the freedom of somebody else on the globe— as was the case when Saddam Hussein had Iraq invade Kuwait— we ought to be there. But to attack just when we've got a fruitcake running around using some country as a venue, I don't see a need." Asked whether Bush saw a need, he said, "If he does, nobody has taken the time to show it to me yet."

Armey made a revealing Freudian slip, when asked whether he considered it a weakness of the Bush Administration, that it hadn't consulted sufficiently with Congress. "You have to remember, this whole debate on the question of whether we attack Vietnam did not originate in the Bush White House— ." At that point, he was interrupted and told he had meant Iraq, not Vietnam.

Armey was unequivocal regarding Israel: "An attack on Israel is an attack on America, in my estimation. My No. 1 priority in foreign policy is to protect Israel."

Armev also showed some insight, perhaps unwittingly, into the fraud of diplomacy and the abysmal level of political debate, when asked if he were not fond of U.S. allies, for example, France. He said: "Well, I've never been good at foreign policy.... But I learned real early on that if you're having a discussion about foreign policy, just say something disparaging about the French, and everybody will think you know what you're talking about."

### **Will Blair Reissue 1998 'White-Lie Paper' on Iraq WMD?**

An ever-more hysterical Tony Blair, fresh from his Camp David soireé with George W. Bush on Sept. 7, is threatening that he will release the long-awaited "white paper" on Saddam Hussein's weapons of mass destruction in the immediate days ahead. Watch out for a piece of consumer fraud!

Back on Feb. 4, 1998, at the point that the Blair government in Britain, in league with the Netanyahu regime in Israel, was trying to induce President Clinton to launch a full-scale war against Iraq, the British Foreign Office under Robin Cook issued a "white paper" on Iraq, which purported to "prove" that Saddam was amassing a vast arsenal of chemical, biological, and (future) nuclear weapons—right under the noses of UN weapons inspectors. The report was personally delivered by Foreign Secretary Cook to every member of the British Parliament. Tony Blair "shared" the document with President Clinton, during his Feb. 5, 1998 meeting in Washington, and afterwards, Blair told reporters that Iraq had to be stopped from using their WMD capability. "I mean," Blair ranted, "the figures are appalling, and this is just the stuff that's been uncovered, let alone what has not been uncovered. And I think there are facts in there which, the more broadly they can be disseminated, the more people will understand why this issue is so serious and so worrying." Is Blair about to re-issue the same piece of psywar again?

Here are a few tell-tale signs: According to the Feb. 5, 1998 *Guardian* and *Daily Telegraph*, which received leaks from the report, Cook and the British Foreign Office charged that Iraq had "17 tons of growth media for biological weapons [which] are unaccounted for—enough to produce at least three times the quantity of anthrax Iraq belatedly admitted to having, some of which was already loaded into missile warheads (100 kg of anthrax could annihilate 3 million people if efficiently dispersed)... More than 600 tons of chemical precursors, sufficient to make 200 tons of the persistent VX nerve agent, are also unaccounted for." The report claimed that Iraq could build a nuclear weapon in five years, a long-range missile in a year, and biological and chemical weapons in "just weeks." The *Telegraph*, in its typical sensationalist style, proclaimed that the Cook dossier said Iraq could produce enough VX nerve gas "to wipe out the world's population."

### **Biological Holocaust: U.S. Cuts Help Spread of Disease**

Nationally, through Sept. 6, a total of 854 human cases of severe illness from West Nile virus have been confirmed. During the present week, the first cases of human-to-human transmission were confirmed. In one instance, four persons were infected via organ transplants, and in another instance a blood transfusion recipient became ill with West Nile. As for containment measures and cures: The U.S. House Energy and Commerce Committee approved \$100 million in grants to communities for mosquito control—although it is a budget item in competition with other programs—and the Food and Drug Administration gave approval for a clinical trial use of alpha-interferon to treat people who have contracted the virus. Below is a survey, by state, of the week's developments.

\*CONNECTICUT: State health officials have detected four species of mosquitoes as testing positive as carriers of the disease. Two of the four (*Ochlerotatus trivittatus*, a flood-water insect, and the *Culex salinarius*) are known to bite humans. Up until now, most mosquitoes that tested positive in the state were of the bird-biting species. Yet, the City of Hartford's health director, Katherine McCormack, said it was too early to consider spraying a park where mosquitoes tested positive. On a hopeful note, a Greenwich man stricken by West Nile was the first patient to get interferon treatments this week, and his condition began to improve.

**\*VIRGINIA:** Two more cases have been confirmed this week, bringing the state's total to five, and state health officials are expecting more cases as mosquito season usually lasts through September. In addition, an extremely rare cluster-occurrence of malaria was reported in Loudoun County, where two people came down with a non-fatal form of the disease— and neither had travelled overseas. Peter Hotez, chairman of the Department of Microbiology and Tropical Medicine at George Washington University, said, "The fact of a cluster of two cases among people who have not travelled overseas is impressive, and it suggests ... a small malaria outbreak in Loudoun County."

**\*NORTH CAROLINA:** Officials have no detected cases of West Nile, but do have three confirmed cases of La Crosse encephalitis, with seven more people suspected of being infected.

**\*LOUISIANA:** Officials confirmed 17 new cases this week, bringing the total to 222 victims in the state. One elderly infected woman died this week, raising the death toll to nine.

**\*ARKANSAS:** The state has confirmed two new cases, bringing the total to five. Additionally, blood samples of 14 people suspected of infection have been sent to Atlanta Centers for Disease Control for analysis.

**\*OKLAHOMA:** A third human case of infection was confirmed this week. There have been no deaths as yet, but the bird populations from 26 counties have all tested positive.

**\*MISSISSIPPI:** State health officials are investigating the likelihood that a woman contracted West Nile after a blood transfusion. If that is confirmed, she would be the second case nationally to have gotten the disease via a blood transfusion.

**\*ARIZONA/NEW MEXICO:** An Arabian quarterhorse contracted the disease and was euthanized, once it had been determined it had West Nile virus. State officials are 99% sure the horse became infected when it was in Minnesota, and they argue that a horse is a "dead-end host," so that there is no danger of infection. But officials are worried, because neighboring New Mexico did confirm birds, mosquitoes, and horses with the disease; and Arizona's warm season lasts until November, providing a longer time for the virus to incubate and spread.

### ***Financial Times: U.S. Military Prepared To Launch Iraq War as Early as Next Week***

In an Aug. 30 article called, "Long War Build-Up Is More about Politics than Logistics," author Dan Roberts points to the apparent paradox that, while spokesmen for the U.S. government like Dick Cheney and Donald Rumsfeld are "raising the diplomatic temperature with a series of ever-more hawkish speeches ... defense pundits looking for physical signs of a build-up have little to go on." This is, according to Roberts, "because much of the preparation has already been made." Roberts cites former UN weapons inspector Terrence Taylor, who is now working at Britain's International Institute for Strategic Studies (IISS) in Washington: "The combination of existing bases, increased airlift capacity and pre-prepared sea-lift capacity definitely means that the build-up can be much faster" than for the first Gulf War a decade ago.

Roberts quotes Jonathan Eyal, an analyst with the Royal United Services Institute (RUSI) based in London, saying: "The Pentagon has spent the last ten years trying to reduce the amount of time it takes to deploy. Unlike the last Gulf War, it can now take weeks rather than months." Writes Roberts: "RUSI believes a substantial force could be assembled in about two weeks because of the amount of equipment already on the ground and the ability to bring in more by air or sea. Ships prepacked with tanks and other heavy equipment could have already left the Diego Garcia naval base in the Indian Ocean. Given that air strikes would probably last at least two weeks before ground troops were sent in, analysts believe the two phases could be carried out simultaneously. 'If they wanted to start a war, they could start it next week,' concludes Mr. Eyal. 'The studied silence is not an indication of timing, and a long build-up would be more for political than logistical reasons.' "

# Ibero-American News Digest

## Argentina Fights To Defend Its Public Banks

The government of Argentina has agreed to "partially" privatize the state-run Banco de la Nacion, founded in 1891 by nationalist President Carlos Pellegrini, and intended as a source of cheap credit for native industry. The IMF has for years demanded privatization of both Banco de la Nacion, and the Banco de la Provincia de Buenos Aires.

The ultimatum that the state-run banking sector be dismantled, before Argentina can qualify for new funding, was communicated to Finance Minister Roberto Lavagna on Aug. 23 by International Monetary Fund official John Thornton, a.k.a. "The Undertaker," in charge of the Argentine case. Thornton insisted that "international auditors and investment banks" be hired to "manage the strategy of state-sector banks." (One observer asked: Which auditors are they planning to hire? Arthur Andersen?)

The Fund states there must be a reduction in the size of the state-run banks— Banco de la Nacion and Banco de la Provincia de Buenos Aires— to be achieved by eliminating all existing incentives to increase new deposits. Moreover, neither bank should increase its participation in the market, and the Central Bank should cease granting discount loans to both banks. In the case of Banco Provincia, the IMF demands abolition of its founding charter of 1822, which grants it certain Constitutional rights, as well as its special regulatory regime, thus placing it entirely under the control of the Central Bank.

Finance Minister Roberto Lavagna announced Sept. 4 that the government had "made the decision" to sell a "small part" (10%) of the Banco de la Nacion's stock to private interests. At the same time, Felipe Sola, Governor of Buenos Aires province, advised Lavagna that he is willing to do the same thing with the Banco de la Provincia. Lavagna slavishly explained that allowing private capital to own 10% of both banks' stock, would increase the "transparency" of state-run banking operations, precisely as the IMF is demanding. The Fund wants any state-banking sector abolished altogether.

Banco de la Nacion and Banco Provincia are Argentina's two oldest banks, and a source of great pride for the population. All attempts at privatization in the past have provoked outrage, and a strong popular mobilization in the banks' defense. In response to the latest scheme, former President Raul Alfonsin issued a press release calling for a defense of state banks against IMF pressures, and accusing the Fund of "an undisguised maneuver in favor of private [financial] entities still operating in the country." The IMF "wants public banks to disappear, to the benefit of multinational capital," Alfonsin charged, adding that Argentina "must firmly oppose any new adjustment policy."

## Ibero-Americans Are Eating Less and Less

Across Central and South America, food consumption has declined dramatically over the past year. Here are some of the reports:

\*Supermarket sales in Argentina fell 27.6% in July over July of 2001, and have fallen a total of 21.7% so far this year. To date, the volume of food sent to supermarkets has also declined each month.

\*Venezuelan supermarket sales have dropped by 12% for far this year, the president of the country's national supermarket association, Nelson da Gama, announced Sept. 2, adding that the association projects sales will fall by 14-15% by the year's end. Venezuelans, in other words, are eating less and less.

At the same time, food prices have risen by 20-25% this year, because much of Venezuela's food is imported, and the currency (the bolivar) has devalued by 47% so far in 2002. According to a study by the private firm Datanalisis, the average monthly income of Venezuelan families fell by 67.5% in the first half of 2002. Eighty percent of the population is considered poor, receiving a monthly income of less than US\$300 a month.

Living standards are about to fall even faster. On Sept. 1, the Chavez government's new austerity package went into effect. (See [Ibero-America News Digest in EIW #24](#).)

\*More than half, or 53.7%, of Mexico's population is now classified as poor, according to a study completed by the Ministry of Social Development (Sedesol). This means that in "NAFTA-land," over 50 million people, out of a total population of 100 million, are poor. The study, elaborated by a "technical committee" hired by Sedesol, calculated varying degrees of poverty, based on daily income. The average daily wage for the poor is 34 pesos, or a little over \$3, at an exchange rate of 10 pesos to the dollar, but many people make much less than that, and are unable to purchase enough food to cover the most minimal caloric requirements, in agriculture-rich Mexico. In 18.6% of households surveyed, the average daily wage is between 15 and 20 pesos (\$1.50-\$2.00); the Sedesol study categorizes this group as "food-poor"— i.e., they don't have enough to eat.

### **Argentine Candidate Says Stealing Garbage Is a Crime**

In a development that would make Marie Antoinette blush, Argentine mayoral candidate and Mont Pelerinite Mauricio Macri says the impoverished citizens who pick through the garbage every night looking for food, or something perhaps to sell, so they can buy food, should be arrested and "taken off the streets," because they are committing the crime of "stealing garbage"! Even Marie Antoinette (who lost her head in the Jacobin Terror), when told that the people had no bread, supposedly said, "Let them eat cake." Macri, who is being wooed by the Anglo-American financial oligarchy and Mont Pelerin circles as a potential President, would have them jailed!

"I will take them off the streets" if he is elected, he announced, adding that "stealing garbage" is no different than "mugging the man standing on the street corner." Really?

Increasing numbers of poor and unemployed pick through the trash in urban centers each night, to find food for themselves and their families, but Macri thinks they give the city of Buenos Aires a bad image.

### **In Mexico: Opposition Mounts to Fox Electricity Package**

Mexican Finance Secretary Francisco Gil Diaz admitted at the end of August that the government has "limited political capital," and therefore, it intended to temporarily abandon the fight to impose a 15% value-added tax on food and medicine at this time. Instead, said Diaz, it would put all its energies into the fight for President Vicente Fox's new proposed electricity reform, which would open up the sector to takeover by foreign energy giants.

Fox insists that under his reform, he would not sell the state electricity company, nor take away its distribution monopoly. He hopes, he says, only to attract the billions in foreign capital that Mexico could not generate to "prevent future shortages." His idea is to allow the large industrial consumers of more than 2,500 MW-hours per year to be able to turn to private producers for their energy. However, according to the Mexican Electricity Workers Union (SME), this will necessarily lead to the privatization of electricity in Mexico. In a two-page ad taken out in the weekly news magazine *Proceso*, the SME insists, "Taking away the state's income from the big industrial consumers, which is called for in [Fox's] proposal, would mean the technical bankruptcy" of the state electricity company. This would lead to its sell-off by the government.



The SME has declared this policy unacceptable, and has called on the Congress to block the Fox reform. In a general assembly of the SME held Aug. 28, its 51,000 affiliate members vowed to become "an army of activists" against Fox's electricity reform. Said SME leader Francisco Brena Alvarez, "This is not a personal fight, but one by the entire union. The government can put [our leaders] in jail, but it can't put away 50,000 electrical workers who will defend the sovereignty of the fatherland." The union is planning a series of actions, including distribution of 10 million leaflets, and collecting an equal number of signatures against the Fox reform proposal, as well as a series of mass marches in Mexico City.

PRI Senator Manuel Bartlett, the acknowledged leading opponent of the privatization of Mexico's energy sector inside the Congress, is also on the offensive. On Aug. 22, he issued a public warning and a challenge to the president of the PRI Party, Roberto Madrazo, that the Constitutional reform required to implement Fox's electricity reform would be determined by the Senate, and not by the PRI executive. Bartlett is chairman of the Senate commission in charge of Constitutional matters.

### **Energy Pirates Ready To Abandon Brazil; Will Country Be Left in Darkness?**

Five foreign energy pirates are now considering selling off electric utilities in Brazil, the *New York Times* reported Aug. 30. The simultaneous pull-out by foreign interests, like the proverbial rats deserting a sinking ship, will force the government to choose between re-nationalizing the power industry, or abandoning huge swaths of Brazil, including some of its biggest population centers, to darkness.

Enron, now liquidating 90% of its assets internationally, must sell Elektro, its distributor in the state of Sao Paulo, a Cuiaba thermoelectric plant, and the Brazil-Bolivia gas pipeline. AES announced this week that it will sell AES Sul, which supplies a million customers in the state of Rio Grande do Sul, as well as its Uruguaniana plant in the same state. AES officials claim they are not—yet—planning to sell the company's main asset, Eletropaulo, which is the largest power supplier in Sao Paulo, although the company is facing imminent bankruptcy. Electricité de France is being pressured sell its 95% ownership of Light Servicos de Electricidade, Rio de Janeiro's biggest electricity supplier, serving 3 million customers. Electricidade de Portugal is trying to sell its minority stake in a Rio utility.

The government retook control of the Companhia Energetica do Maranhao (Cemar) earlier in August, when its owner, the U.S.-headquartered PPL Corp. tried to declare bankruptcy on that distributor in Maranhao, one of Brazil's poorest states. PPL is looking for buyers for its 90% stake in the company.

The *Times* makes an accurate point: It will be hard to find foreign buyers who, at this point, will want to enter the Brazilian market, and especially in Brazil's less developed regions. An analyst for Banco Santander Central Hispano warned that any European company which announced expansion plans in Brazil at this moment, would find its share price "heavily punished."

### **Haas Presses Brazil To Line Up with Bush Foreign Policy**

State Department Policy Planning chief Richard Haas spent three days in Brazil at the end of August, meeting with Foreign Ministry officials and representatives of the candidates in the first-round Oct. 6 Presidential elections. Top items on his agenda were lining up support for the Bush Administration's campaign for "regime change" in Iraq, and coordinating policy on Colombia and Venezuela. Haas stated in his final press conference that while no decision has yet been taken to attack Iraq, regime change is "indispensable," and "if we decide to use military force so that this occurs ... I can't say what we would ask of Brazil, but certainly we would need diplomatic support. We would need also military and economic help, but this would depend on the possibilities of every country."

What "action" he was proposing when it comes to Colombia and Venezuela, is less clear, except his constant theme that Brazil must join with the United States in coordinating some regional strategy. This, the Cardoso government has refused to do for some time, on the grounds that domestic conflicts within countries must not be "internationalized."

"Brazil has two problems on its doorstep: Colombia and Argentina. I suppose that it would not wish to have a third"— i.e., Venezuela— Haas warned in a press conference before leaving. The governments and businessmen of the U.S. and Brazil should agree on the same strategy towards Venezuela, to break the impasse between President Hugo Chavez and his opposition, he argued.

He insisted also that Brazil has great potential to aid Colombia. Brazil has played a key role for years internationally in helping countries get out of acute crises, citing Brazil's role in East Timor and Africa as examples. No one is talking about sending Brazilian soldiers into Colombia, he said, but Colombia's neighbors must help Colombia, as the United States is doing.

The Deputy Secretary General of Brazil's Foreign Ministry, Gilberto Saboya, repeated after their meeting, that Brazil is ready to provide "political and diplomatic aid, but any other type of action is more complicated."

## Western European News Digest

### British Government Brawl Over Iraq War

The "war party" faction in the British government is fully on board the Iraq war drive, despite massive opposition to the war in various parts of the British Establishment. The London *Observer*, which is close to Tony Blair's ruling Labour Party, reported last week that Defense Minister Geoffrey Hoon would fly to the U.S. this week for six days, for a "war summit" with Bush Administration officials, at which he will be briefed on plans to launch a military strike against Saddam Hussein. The *Observer* called this is "clear signal" that armed action against Iraq is "moving to the top of the political agenda," especially as the war summit has been "specially convened to coincide with the anniversary of the terrorist attacks" of Sept. 11.

Hoon will meet with Defense Secretary Donald Rumsfeld on Sept. 11, and will make a major speech at the University of Louisville, during which he will stress British solidarity with the United States.

Meanwhile, according to BBC Sept. 6, out of 100 Labour Party Parliamentarians surveyed by BBC, almost 90% insist there are currently insufficient grounds to declare war on Iraq, with 86 of them demanding a debate in the House of Commons, before any decision on war is taken.

There are warnings of a split in the Labour Party over Iraq. A member of Labour's national executive committee, Mark Seddon, asserts that there is "hardly a voice" to be heard, in support for a preemptive strike on Iraq.

Veteran Labour MP Tam Dalyell, declared that "It is deeply wrong to sleepwalk into war with additional strikes" such as recent ones in which almost 100 British and American war have planes attacked an air defense base, in the "no-fly zone" in western Iraq. He demanded that Prime Minister Tony Blair "has a moral duty to recall the House of Commons," now formally in recess until October. According to Dalyell, "it is important to recall Parliament, so that the diversity of opinion in Britain is clear to American decision-makers."

Labour MP Glenda Jackson said it is "ludicrous" that the issue has not been debated in the House of Commons, since her constituents were expressing concerns hourly "about what they see as this country engaging in a military action without the

hard, verifiable evidence that, appalling though Saddam Hussein and his regime may be, they are at this moment a clear and present danger to the rest of the world. Let's see the evidence."

On the eve of his whirlwind Sept. 7 visit to the U.S. to consult with President Bush at Camp David, Tony Blair told BBC's Hotline program, which was aired Sept. 8: "Britain decides its own policy, and although I back America, I would never back America if I thought they were doing something wrong. If I thought that by committing military action in a way that was wrong, I would not support it. But I have never found that, and I don't expect to find it in the future."

Blair was asked by the show's host, whether Britain is prepared to send troops, to "pay the blood price." Blair replied: "Yes. What is important, though, is that at moments of crisis, they [the United States] don't need to know simply that you are giving general expressions of support and sympathy. That is easy, frankly. They need to know, 'Are you prepared to commit, are you prepared to be there when the shooting starts?' "

### **Germany Feels U.S. Strongarming over Iraq Issue**

In an interview published in the current issue of the German weekly *Der Spiegel*, U.S. National Security Adviser Condoleezza Rice repeated that the world should not wait for Saddam Hussein to start an attack with weapons of mass destruction, but should work for a regime change in Baghdad, before he does so. The post-9/11 solidarity between the Americans and Europeans made sense for Germany as well as the U.S., she commented, since the attacks on 9/11 could as well have hit European targets, because "the terrorists hate Berlin, London, and Paris as much as they hate New York and Washington."

Even blunter were remarks by U.S. Ambassador to Germany Dan Coats, who, in response to continued criticism from the German government over the Iraq war plans, said that if Germany had been hit as the U.S. was on 9/11, they would think differently. Furthermore, said Coats, it seems strange to him that Germans are not discussing the Djerba attack—when a terrorist rammed a gasoline truck into a Tunisian synagogue filled with tourists, most of whom were German—despite the fact that it is clear that al-Qaeda terrorists were behind the attack.

### **German Cabinet Ministers Air Differences with U.S.**

In an interview in last week's issue of *Der Spiegel*, Herta Daeubler-Gmelin, Cabinet Minister of Justice, said that she has told her U.S. counterpart, Attorney General John Ashcroft, that Germany will not provide evidence for the U.S. trial against terror suspect Zaccarias Moussaoui, unless the Americans give clear assurances that the material will not be used to secure a death sentence against him.

She said that the German law bans the death penalty and all activities related to it, which implies that evidence on Moussaoui's relations to radical Islamic cells in Germany cannot be given to the U.S., because if found guilty, Moussaoui faces a death sentence.

Furthermore, German Cabinet Minister of Defense Peter Struck reiterated in a DLF radio interview Sept. 3 that a preemptive war on Iraq would be a violation of international law, if Iraq had not previously attacked any other state. He also confirmed that even a new UN Security Council mandate that would allow military operations against Saddam Hussein would not be binding for Germany. There is no majority in the German Bundestag, or Parliament, for a war against Iraq, Struck said.

Also, Wolfgang Thierse, chief speaker of the Bundestag, said Sept. 2 that the German Constitution bans all wars of aggression and any German military role in such. A preemptive war against Iraq as defined recently by Dick Cheney would

be a war of aggression, he argued, and for Germany to take part in that, would violate its Constitution, Thierse said.

## **German Chancellor Repeats Opposition to Iraq War; U.S. Ambassador Protests**

The controversy between the governments of the United States and Germany over the Iraq issue is growing more intense: On Sept. 4, German Chancellor Gerhard Schroeder reiterated his criticism of the present U.S. policy, on the grounds that it was a "mistake" by the U.S. to reject an inspections-oriented approach by the United Nations, and that there is no American political concept what to do with Iraq and the rest of the region, after a war. German Foreign Minister Joschka Fischer said the Bush Administration is committing a "fatal mistake."

U.S. Ambassador to Germany Dan Coats took to the *dpa* news service to protest these statements Sept. 4, saying they aggravate U.S.-German relations. Coats also called it wrong to say, as the Germans have been doing, that in case of a war over Iraq, the German ABC (atomic-biological-chemical) defense units would be pulled out of Kuwait, where they currently back up U.S. troops. Their remaining would make sense precisely if there were a war with Iraq, Coats said, adding that a lot of what is currently being said in Germany, may be related to the ongoing election campaign. He claimed that Germany is isolating itself within Europe, with its anti-American remarks.

German government spokesman Uwe Karsten Heye responded by saying that Coats must examine whether his remarks were in compliance with the rules of diplomacy. Schroeder himself said, "Friendship cannot mean that you do what the friend wants even if you have another opinion. Anything else would not be friendship, but submission—and I would consider that wrong." Schroeder challenged Tony Blair's remark Sept. 4 that Iraq represents "a real and unique threat," saying, "With all respect for Tony Blair: Just like anyone else, he will not speak for Europe alone on this issue or on others.... We have absolutely no reason to change our well-founded position. Under my leadership, Germany will not take part in an intervention in Iraq."

As for Coats' claim that Germany was isolating itself in Europe: European Union foreign policy spokesman Xavier Solana told the *Berliner Zeitung*, "We oppose a preventive war against Iraq. Such action would not be covered by international law."

## **Italy's Berlusconi: On Iraq, We Need Hard Evidence**

Speaking to journalists before the European Union foreign ministers' meeting in Elsinore, Denmark, Italian Prime Minister and Foreign Minister Silvio Berlusconi said that Italy shares the "doubts" expressed by European allies regarding a war against Iraq. The United States, Berlusconi said, must produce "hard evidence on the dangerousness of Iraq's weapons system."

The Italian Prime Minister also insisted there be a mission of UN inspectors, and is reportedly convinced that U.S. will take "action to involve Europe and the international community," because it is not convenient for Washington "to proceed isolated."

## **Le Figaro Piece: Does It Lay Basis for French Policy Shift on Iraq?**

A long opinion column in the Sept. 3 issue of the French paper *Le Figaro*, may lay the basis for a possible shift in French policy, in favor of a second Gulf war. The piece, by Francois Gere, director of the Institute of Defense and Diplomacy, a center-rightwing institution representing French interests, comments that "An intervention in Iraw makes sense if it is a prelude to complete regional realignment."

In a less flamboyant way, the piece is Laurent Murawiec without the Murawiec (referring to the low-level RAND analyst whose July briefing to the Defense Policy Board, in which he claimed that Saudi Arabia was the enemy, caused such a furor in the U.S. and abroad).

"Really, nobody likes Saddam Hussein," Gere writes, adding that he is feared throughout the Middle East. "Whence, therefore, comes this strange diplomatic concert aimed at dissuading the U.S. from bringing the dictator's career to an end? The 'anguish' comes from a realization that the status quo laid down for the region by the French and the British at the San Remo conference in 1920, and reaffirmed by the U.S. after the war, could blow up."

But this order is already non-existent, claims Gere: The invasion of Kuwait by the Iraqis was a blow to it; Israel's borders are no longer secure; Saudi Arabia has gone from being a reliable ally to being an Islamic danger; the world is no longer so dependent on the region's oil.

What new order should be installed in the region? he wonders. Afghanistan must be pacified and bin Laden arrested; the Israeli-Palestinian conflict must be resolved, and Jordan must be induced to participate in a process that could lead to the creation of a Jordanian-Palestinian federation; Saddam should be replaced in a secure environment created among Jordan, Turkey, Iran, and Syria; negotiations should be opened with Iran and Syria. Last but not least, there should be a global re-composition of power in the Arabian peninsula, since "September 11 has shown that the Riyadh regime today constitutes a major obstacle to a general settlement in the region."

All these problems could be solved "provided that Washington does not confirm the suspicion that it wants to impose by force a situation in conformity only with its imperial interests."

It is here, continues Gere, that France, the United Kingdom, and Europe can contribute positively if they have the will. "If it is a matter of accompanying the United States in a military expedition without any declared future, what's the use? If it's a matter of accompanying a great ally to contribute, at his side, to a global settlement, that becomes desirable and even necessary!"

### **Swedish Government Protests *Reuters* Story on Alleged Plan for Terror Attack by Swedish Muslim**

According to public protests from the Swedish government, the arrest at Sweden's Vaesteras Airport at the end of August of Kerim Chatty, a Tunisian-born Swede with a handgun in his luggage, is not what a *Reuters* story and numerous international media have made out of it: a plan to hijack the plane and fly it into a U.S. embassy somewhere in Europe. The plane was scheduled to fly to Birmingham, England, where Chatty and 20 more passengers wanted to attend a Muslim event.

The Swedish government, the SEAPO anti-terror authorities, and the national prosecutor all denied that there was any evidence for the *Reuters* and related stories. The government also protested the *Reuters* claim that the authorities in Sweden were playing down the incident and terrorist threats in general because, in view of the Sept. 22, national elections, Sweden wanted to avoid racial friction between nationals and foreigners.

### **German Authorities Arrest German-Born Turk for Planning a Sept. 11 Attack**

According to *Reuters* Sept. 6, the German authorities have arrested a German-born Turk and his American girlfriend for planning an attack on Sept. 11, which the U.S. has arrested an Afghan-born German from Hamburg on similar charges.

The German arrest, near Heidelberg, the home of U.S. Army Europe headquarters, found explosives, chemicals, and shells



for five bombs. The suspect works in a chemical factory near Karlsruhe, while the American girlfriend works at a supermarket on the U.S. base. The suspect was described by Thomas Schaeuble, Interior Minister for Baden-Wuerttemberg, as "a follower of Osama bin Laden who is deeply religious and harbors a hatred for Americans and Jews"; Schaeuble said the government had evidence "that an attack was planned for Sept. 11." The United States provided help on the case, apparently resulting from the arrest in New York in August of an Afghan-born German from Hamburg, now being held in Virginia, who travelled to the United States in July.

## **Senior Italian Politician: International Debt Disrupts Common Good**

Riccardo Pedrizzi, chairman of the Parliament Finance Committee, published an op ed entitled "The debt that divides the world," in the Sept. 3 issue of the daily *Il Giornale*, owned by the family of Italian Prime Minister Berlusconi. Two years ago, Pedrizzi was the initiator of the Parliamentary movement for a New Bretton Woods along the lines of Lyndon LaRouche's proposal, at a time when Pedrizzi's party, Alleanza Nazionale, was in the opposition. Pedrizzi was also on the board of the Vatican Jubilee initiative for debt cancellation.

"The sacred character of each individual must be the starting point of our reflections on international debt," Pedrizzi writes; a debt "which today appears as a factor disrupting the national and international common good." After describing the poverty of indebted and less developed countries, Pedrizzi states that "Most indebted poor countries in Africa pay interest higher than the money necessary to implement the main projects of fighting against malnutrition, illness, illiteracy, and infant mortality ... debt is paid, when it is paid, with the absence of infrastructures (roads, schools, hospitals), with which one could fight against poverty and create conditions to start development—which, in turn, would guarantee repayment of loans. Instead, international financial institutions (IMF and World Bank) often force those poor countries to accept austerity Structural Adjustment Policies (SAPs) which have disastrous effects.... Furthermore, SAPs are based on free-market economic theories which are considered universal, and therefore applied in a uniform way.... These policies, which should launch the development of the poorest peoples, instead make them forever dependent and slaves of richer countries."

## **European Union's 'Stability Pact Is Dead,' Says German Economist**

"The Stability Pact is dead," states Ruediger Pohl, president of the Halle Institute for Economic Research, one of the leading German economic research institutes, referring to the European Union's iron-clad measures restricting economic freedom among its members. In an interview with the German *Financial Times* last week, Pohl noted that in a situation where four Euro members—Germany, France, Italy, and Portugal—are having great problems meeting the fiscal criteria laid down by the EU treaties, it's politically impossible to force through the sanction mechanism of the Euro "Stability Pact." From the economic perspective as well, he said, it would be better to bury the thing.

Other economists interviewed by the German *FT* are—suddenly—expressing similar views. Juergen Hagen of the Bonn Research Center for European Integration states that "the faster we revise it, the better." Those public investments that in the long run produce growth, and therefore increase the tax base, should not be cancelled due to "book-keeping criteria." Fixed rules should never rule fiscal policy, he says. Instead, there must always be competent individuals making judgments on individual cases.

Ulrich Beckmann of Deutsche Bank states that "under present economic conditions, it makes absolutely no sense from a macro-economic view to cut investments just in order to fulfill the 3% criteria" of the Maastricht Treaty codicils.

The Sept. 5 issue of *Die Welt* continues the debate, reviewing voices from among the "leading economists" saying the Stability Pact won't work. "The European heads of state should agree that the deficit criteria do not need to be adhered to this year and next," Deutsche Bank chief economist Norbert Walter told *Die Welt*, saying that, although this may mean that

Germany, France, and Italy break the regulations for new debts incurred, "I believe this measure will not be harmful, but urgently required," if it is "coupled with a pledge to a zero deficit by the middle of the decade."

*Die Welt* also quotes the head of the most prestigious German economic institute, the German Institute for Economic Research (DIW), Klaus Zimmermann, as saying it must be possible to surpass the pact's limits, if there is a downturn of the economy. In light of the bad economic situation, a reform of the Stability Pact is "necessary and probable," Zimmermann is quoted as saying.

But German Bundesbank vice president Juergen Stark contributes ravings in the opposite direction, in his Sept. 4 column in the *Financial Times*. Under the headline "A pact worth keeping," Stark declares that "any going back on Europe's budgetary pledges would risk undermining the foundations of monetary union." Stark explicitly rejects the idea that the pact "impedes the financing of public investment projects," saying that "calls for greater leeway for public spending initiatives within the framework of the stability pact are based on the economic policy approaches of past decades."

Plainly, Stark is in stark denial of the demise of the New Economy. He hails the Maastricht Treaty that created the European Union as a "turning point in economic policy, with its strict medium-term orientation toward stability as the basis for growth and employment.... Another objective, however, was to convince the public and the financial markets of the [European] Community's ongoing orientation toward stability. The pact is therefore part of the foundation of the monetary union" that created Euroland and its currency the euro.

Hysterically, Stark continues: "Any weakening of the pact would severely damage the very foundations of monetary union ... any weakening of the pact would send a disastrous signal to the markets and would trigger increased volatility and greater instability.... It is unacceptable that the countries calling for a relaxation in the pact's rules are also the ones that have made insufficient efforts to constrain their budgets. There must be no backsliding into the fiscal sloppiness that prevailed during the 1970s: the introduction of the single currency is an irreversible process that demands discipline from all the member states."

### **'A Masterpiece of Disinformation'**

Better late than never. Economics Professor Fredmund Malik of Switzerland's prestigious St. Gallen University, has come to conclusions which won't surprise the readers of this publication—but may surprise some others. In an interview with the Sept. 2 edition of the German magazine *Der Spiegel*, Prof. Malik described the 1990s "American economic miracle" as nothing but a "media event, a masterpiece of disinformation."

Government statistics for GDP and productivity growth were been "systematically massaged upwards" by methods like the "hedonic price indexing," he noted; the U.S. economic "boom" was just a "giant bluff." Growth in the U.S. was limited to the computer sector, which represents only a tiny section of the total economy, and to the "speculative bubble." In real terms, the U.S. economy of the 1990s was characterized by zero growth. The stock market boom was based on "greed, debt, the fear of missing a once-in-a-lifetime chance, and systematic misinformation."

In America, the entire savings of two generations are at stake. Pensioners still hope for a rebound. "But what happens, once they realize that reserves are gone? Following the last great economic crisis, America did not suffer social conflict. I fear, the story will not end as smoothly this time."

## **Russia and Central Asia News Digest**

### **Putin Doubts Iraq War After Talks with Bush, Blair**

Russian President Vladimir Putin told both British Prime Minister Tony Blair and President George Bush of his "serious doubts regarding the grounds for the use of force in relation to Iraq, in terms of both international law and global politics," said Kremlin spokesman Aleksei Gromov on Sept. 6, according to both China's *People's Daily* and *The Times* of London.

Gromov said that Putin emphasized the need to coordinate political and diplomatic efforts in implementing existing United Nations Security Council resolutions on Iraq. Additionally, Putin told Blair that he sees there is adequate possibility for a political solution to the Iraqi problem, and warned of the "serious, negative effect on the situation in the Persian Gulf and the Middle East" a war could have, which also "could cause a split in the U.S.-led international anti-terrorism coalition," Gromov said.

According to *People's Daily*, Gromov said Putin and Blair agreed to take similar lines on Iraq, both insisting on the return to Baghdad of international inspectors, as well as the creation of a monitoring mechanism in the country under the UN Security Council resolutions.

Other Russian officials echoed Putin's views. Foreign Minister Igor Ivanov said in a meeting with his Hungarian counterpart Laszlo Kovacs, "We believe a policy of diplomatic steps and decisions might allow us to find a long-term settlement of the situation around Iraq, which would meet the interests of regional stability." Also, Deputy Foreign Minister Yuri Fedotov said he hoped Russia would not have to exercise its veto on the use of force against Iraq in the 57th UN General Assembly, due to start next week in New York. "The Russian delegation expects that the issue of a military operation will not be raised in the Security Council and that we will not have to make a decision on it," he was quoted by *Interfax* as saying.

Following talks with Iraqi Foreign Minister Naji Sabri in Moscow Sept. 2, Foreign Minister Ivanov again stated that Russia backs the return of United Nations weapons inspectors to Iraq, as part of a package to avert war. Asked if Russia would veto military action against Iraq, in the event the U.S. sought approval from the UN Security Council, Ivanov replied only obliquely, according to *Polit.ru*: "I hope that there will be no such situation, that there will be no Security Council meeting on military action against Iraq."

### **Prof. Gromyko Presents LaRouche's Land-Bridge as Crucial for Russian and World Development**

A major, three-part article by Prof. Yuri Gromyko has appeared in the daily on-line publication *Russky Zhurnal* (also known by the name of its English edition, *The Russian Journal*), on the occasion of the Johannesburg Earth Summit. The installments are in the Aug. 26, Aug. 29, and Sept. 3 issues. Under the title "Problems of Sustainable Development: Are We Prepared for this Discussion?," Gromyko takes up the theme Lyndon LaRouche has established in his dialogue with the Russian intelligentsia during recent years: what Russia's mission should be in the current world crisis.

Yuri Gromyko centers his article on the Eurasian Land-Bridge, which he introduces this way:

"The well-known economist and Democratic Party Presidential candidate Lyndon LaRouche argues that Russia's mission, which should be the basis for the national leadership to define strategic goals, is bound up with mastery of the expanses of Eurasia. Russia, uniquely, could take on the function of building a geostrategic land-bridge between Europe and the expanses of Central Asia, making possible the transport of innovative technologies from Europe into the territories of Asia. This transportation of inventions, discoveries and technological innovations could be organized through the creation of so-called corridors of development, along the transport arteries."

Gromyko goes on to demand the overthrow of the notion of "sustainable development," including the tricky way it is

customarily translated in Russian (by a word meaning, approximately, "stable" development).

This article radically departs from the ordinary fare offered by *Russky Zhurnal*, which is a project of the self-styled "game technician" and informal Kremlin adviser Gleb Pavlovsky, and is widely read in Russian government, business, media, and other circles. Already, the *Russky Zhurnal* Web site has a lively forum discussion, in which a Hayekian economist has a fit, attacking LaRouche and Gromyko.

## **Sustained Development Means Investment in Infrastructure, Industry, Technology and Social Protection**

Without investment in infrastructure, technological development for industry, and social protection for the population, there can be no "sustainable development," says Russia's official document for the Earth Summit in Johannesburg. The report, prepared by Russia's Ministry of Economic Development and Trade, was summarized in the daily *Kommersant* on Aug. 27. The authors, including also specialists from Russia's Foreign Ministry and Natural Resources Ministry, write that to achieve stable growth, Russia needs at least \$2 trillion of investments. "Stable development" is the meaning conveyed by the term used to translate into Russian the phrase "sustainable development." The MEDT is headed by liberalizer German Gref, but its paper for the Johannesburg meeting reflects the continuing high, reality-based pressure from many quarters within Russia, to address the plight of the real economy.

The document of Gref's Ministry spectacularly contrasts with the subject of the speech prepared by Prime Minister Mikhail Kasyanov for the Earth Summit: "Conservation of Biodiversity in Russia." This contradiction apparently irritated Igor Chestin, head of the Worldwide Fund For Nature (WWF) Moscow office. The angry "biodiverter" told *Kommersant* that the Russian delegation was as unprepared for the discussion at the summit, as it was in 1992 at the Rio Earth Summit. Chestin blamed Gref's Ministry for not inviting representatives of NGOs to the delegation. "Biodiverter" Cherstin was also dissatisfied with the fact that the Russian delegation was partly represented by diplomats. "With such a level of preparation, Russia should not send any delegation at all," grumbled WWF's asset.

*Kommersant's* Mikhail Zygar emphasized that while the big European countries were sending top political leaders to the Earth Summit, the United States would be represented only on the level of Secretary of State. The author believed that in this way, Washington was demonstrating contempt for the United Nations and the Third World. Meanwhile, this very sort of contempt was expressed by WWF asset Igor Chestin, who characterized the event as "a congress of losers, who have not fulfilled the obligations which they had given in Rio."

## **Izvestia Commentary: U.S. Plan To Occupy Saudi Oil Fields?**

The scandal over Richard Perle's sponsorship of an anti-Saudi Arabia briefing to the Defense Policy Board on July 10 was the subject of an *Izvestia* commentary on Sept. 5. As *EIW* reported, the anti-Saudi briefing was given by a low-level RAND analyst, Laurent Murawiec, who has now been dumped by RAND, according to the *Jerusalem Post*. Murawiec had once been associated with *Executive Intelligence Review*, but left *EIR* in 1990, after several years of dissension over *EIR's* 1986 exposé of war criminal and thug Ariel Sharon's dirty espionage and mafia operations in Israel.

The Sept. 5 *Izvestia* writes of an "unprecedented crisis" in U.S.-Saudi relations, stating that it possesses "credible information" about "top-secret plans being drawn up by the U.S. armed forces, for a possible military operation on the territory of the Saudi Kingdom." Secrecy about the existence of preparations for a "final argument" against the Saudis "was first broken by a presentation to the Pentagon (sic), prepared by a group of experts from the RAND Corporation led by Laurent Murawiec ... concluding that Saudi Arabia is an enemy, not an ally of the U.S.," writes *Izvestia*. Then it cites a confidential discussion with an unnamed "U.S. specialist on the region, having worked for many years in Arab countries," who declared that "the idea behind [the Murawiec briefing] was no off-hand improvisation, but reflects a lengthy policy deliberation and the drawing-up of a straightforward plan," and offered certain details concerning a possible U.S. military

operation.

According to *Izvestia's* source, the basic plan is to occupy and essentially split off the Eastern Province of Saudi Arabia, where the vast majority of the oil fields are located. "Taking over the oil fields would solve a lot of problems for the U.S. .... After all, Saudi Arabia was not always a single unified country. It would not be hard to find a pretext. In exactly that Eastern Province, where the oil 'El Dorado' is located, a significant proportion of the population are Shi'ites. U.S. intelligence services are entirely capable of provoking a conflict between them and the central power," playing on Sunni-Shi'ite tensions. According to one scenario, U.S. troops would move in under the pretext of defending the local population against a Saudi government attempt to suppress the uprising. Another case would be that in which a "radical anti-American regime in Riyadh" came to power.

*Izvestia* enumerates the armed forces of Saudi Arabia, concluding that in the event of a serious U.S. military operation, the Saudis could put up only a symbolic resistance. From the U.S. side there would be "more than enough reasons" to launch such an operation, *Izvestia* writes. But already the threat is forcing the Saudis to take a "pragmatic position" on Iraq. "The important thing is, that Riyadh should play by the U.S. rules" with regard to Iraq, in particular, and "not forget for a single minute, that the Eastern Province with its oil fields could be occupied within the space of a few hours."

### **Low-Profile Meeting Between Russian Diplomat and Iraqi Opposition Figure**

*Izvestia* reported Aug. 31 on a recent, previously unpublicized meeting in Washington between Ittifaq Qandar of the Iraqi National Congress, and Andrei Kroshkin, second secretary at the Russian embassy in the United States. *Izvestia* stressed that "this is the first time that Moscow has gotten into contact with the Iraqi opposition," since the old Soviet contacts with the Iraqi Communist Party, before the CP was banned in the 1970s.

Like a number of other Russian commentaries, the *Izvestia* article notes that the recent talk about the \$40-billion Moscow-Baghdad cooperation package came chiefly from the Iraqi side, not Russians. In a follow-up article Sept. 3, *Izvestia* reported on President Putin's press conference in Vladivostok at the end of August, where he said that the \$40-billion figure was derived by summing all previous Soviet-Iraqi and Russian-Iraqi trade deals, and that new contracts were not involved. In the Sept. 2 Iraqi-Russian talks at the level of Foreign Minister, new economic deals were not on the agenda, according to Russian Foreign Minister Igor Ivanov.

The *Izvestia* article commented, "Theoretically, George W. Bush was expected to receive stronger support from France and Germany in his plans of warfare. But the new partner in the anti-terrorist effort appeared to be more cooperative. Such a geopolitical paradox could seem surprising a year ago, but not today. Still, Washington politologists could not expect, even in their dreams, that Russia would decide to establish direct contacts with the Iraqi opposition." *Izvestia* cited a Russian diplomat, speaking under conditions of anonymity, who confirmed the fact of the Kroshkin-Qandar meeting, but warned against drawing far-reaching conclusions. This diplomat added that "recently, the Americans told us that in case we demonstrate understanding" for overthrowing Saddam, the U.S. would guarantee that the new leadership of Iraq would not cancel the contracts signed with Baghdad by Russian oil companies.

### **Zbigniew Brzezinski's Chechen Gambit**

Zbigniew Brzezinski, whose direction of Carter Administration foreign policy did so much to create the "Afghansi" phenomenon in international terrorism, has become active as a would-be mediator of the decade-long conflict in and around Chechnya, the North Caucasus republic where Afghansi-linked guerrillas have led a fight to break away from the Russian Federation. The American Committee for Peace in Chechnya, headed by Brzezinski and Alexander Haig, moved from the op ed page of the *Washington Post*, into the domain of private diplomacy, as co-sponsor of talks held Aug. 16-19 in the Duchy of Liechtenstein between Akhmed Zakayev, top deputy to Chechen leader Aslan Maskhadov, and several



prominent Moscow political figures. The latter, who included State Duma members Aslambek Aslakhonov and Yuri Shchekochikhin, as well as former Speakers of the Russian Parliament Prof. Ruslan Khasbulatov (a Chechen) and Ivan Rybkin, did not have official backing from the Kremlin or the Russian government. Their activity, however, was not officially denounced.

According to statements made by Khasbulatov and Shchekochikhin at an Aug. 30 press conference in Moscow, the group drafted a plan, based on elements of Brzezinski's own proposals, which were presented in the *Washington Post* June 21, and those of Khasbulatov. The resulting draft plan calls for Chechnya to have attributes of independence, sufficient for conducting its own foreign and domestic policy, and guaranteed by the OSCE and the Council of Europe, while remaining juridically part of the Russian Federation. The question of physical enforcement of the guarantees, such as with peacekeeping forces, remained a subject of disagreement during the talks. So did the retention of Russian border guards on Chechnya's southern frontier (e.g., with Georgia), while Chechnya as a whole was demilitarized.

Lawyer Alexander Goldfarb, an uninvited representative of former Chechnya mediator and avowed foe of the Russian leadership Boris Berezovsky, was barred from the Liechtenstein talks, although he showed up.

### **Putin Issues Harsh Letter to Shevardnadze**

The Kremlin press service released a Sept. 5 message from Russian President Vladimir Putin to Georgian President Eduard Shevardnadze, who several days earlier claimed that Georgian police forces had established control over Pankisi Gorge. The deputy chief of the Russian General Staff, Gen. Yuri Baluyevsky, was among the officials who scoffed at this assertion, saying that the Georgian operation was "a sham," and that Chechen terrorists were still operating in Pankisi, which borders Chechnya. The Putin letter repeated that Russia is prepared to send its military for a joint operation with Georgian forces against Chechen guerrillas in Pankisi Gorge, saying, "We need focussed, forceful and specific action to neutralize the bandit formations on Georgian territory. The tactic of 'peacefully forcing out' the terrorists is unacceptable. We are talking about terrorists who are based in Georgia and are continuing to disseminate death and destruction on Russian soil. Under international law, Russia has every reason to demand that Georgia take exhaustive measures" to eliminate that threat.

On Sept. 6, wire services reported a claim by Russian Internal Affairs Minister Boris Gryzlov that Tbilisi was ready to embark on joint operations with Russia in Pankisi, but this was denied by Georgian officials the next day.

### **Kaliningrad an Issue in Upcoming Russia-EU Summit**

According to Russia's negotiator for problems related to Kaliningrad, the next scheduled summit between Russia and the European Union could be cancelled due to the Kaliningrad travel controversy, reported the London *Financial Times* on Sept. 5. If Russia's latest proposals for solving its transit visa dispute with the EU are rejected in Brussels, "I could convince Mr. Putin not to go to the [Russia-EU] summit in Copenhagen in November," stated Dmitri Rogozin, chairman of the Russian State Duma's Committee on Foreign Policy, and President Putin's special envoy on Kaliningrad.

With Poland and Lithuania becoming full members of the EU in December, Russian citizens would require visas in order to travel across their territory to Kaliningrad, which is part of the Russian Federation. Last week, Putin proposed visa-free travel between Russia and the EU. After that fell flat, Rogozin this week presented a new, compromise proposal in Brussels. On Sept. 5, Putin sent official letters to the Presidents of Poland and Lithuania, voicing hope that, "as good neighbors to Russia and as EU candidates, [you] will demonstrate a readiness for constructive dialogue on the Kaliningrad problem."

# Mideast News Digest

## War or Peace? LaRouche Movement Mobilization Crucial to Stopping Iraq War

A half-million copies of a leaflet called "The Pollard Affair Never Ended!" are being distributed in an emergency mobilization prior to Sept. 11, by LaRouche in 2004, the campaign organization of Democratic Party 2004 Presidential pre-candidate Lyndon LaRouche. The mobilization is the latest escalation in activities by the LaRouche movement internationally against the Iraq war.

As members of the U.S. House and Senate returned to Washington this week for the final pre-election weeks of this Congressional session, these elected officials made it abundantly clear, in media comments, and in sessions that have taken place with President Bush, Vice President Cheney, CIA Director Tenet, and Defense Secretary Rumsfeld, that their constituents are *not* in favor of the war against Iraq. Yet, the drive for war is being intensified by "chickenhawks" of the Richard Perle-Paul Wolfowitz cabal inside the U.S., while saner forces in the U.S., led by LaRouche, oppose them.

See this week's INDEPTH, and the *EIW* Editorial "The Pollard Affair Never Ended," for the story behind the story of the policy battle in the United States.

## White House Wants 'Gulf War Resolution' Passed Before Congressional Recess

When President George W. Bush met with Congressional leaders about the Iraq crisis on Wednesday, Sept. 4, he said that he would seek Congressional approval for military action against Iraq in the form of a resolution. But not only was Bush reportedly demanding that the Congress pass the resolution before their recess, which could be as soon as Sept. 30 (though more likely in the first week of October,) but Bush also wanted the approval *before* he made the decision that such military action is necessary—in effect a "blank check." As of Sept. 6, Congressional leaders said that this timetable is not likely. Even staunch neo-conservative supporter Dennis Hastert (R-Ill.), the Speaker of the House, said he thinks it not likely that this could be done. The issue is not technical, however, but a political one, in which opposition inside the United States is becoming a worry to elected officials.

## Powell: 'Regime Change' Is Just One Option in Iraq

An interview by U.S. Secretary of State Colin Powell to the prestigious French daily *Le Monde* on Sept. 7, says that "regime change" in Iraq is not the "goal" of the United States' Iraq policy— "disarmament" of Iraq is the goal, and that could be achieved with UN weapons inspections.

The Powell interview is contrary to what many pundits, especially the pro-war press in the U.S. and London, have said, and what even senior Bush Administration officials like Vice President Dick Cheney have implied: that the Iraq war is "not a matter of 'if' but 'when.' "

*Le Monde's* interview with Powell came on the same day that the White House *refused* to give permission for Defense Secretary Donald Rumsfeld to publish a 2,300-word article, reported the *Washington Post*, an article that reportedly wildly called for "preemptive strikes" against a half-dozen countries, mostly in the Middle East, including Iraq and Syria. The differences between Powell and the "chickenhawks" has become legend in Washington journalism, and over the last week, the war party faction allied with Israeli fascists Ariel Sharon and Benjamin Netanyahu and centered in the Paul Wolfowitz-Richard Perle "cabal," have called for Powell to be fired because of "insubordination" to the Commander-in-Chief.

The statements by Powell as published in *Le Monde* are reportedly sending the war party "up a wall."

Speaking on the Iraq crisis, Powell said, "The President called earlier for a return of the inspectors. But inspectors are not the objective. The objective is disarmament. Inspectors are one way to accomplish it. Regime change is another. It is perhaps possible to combine several means in order to reach the objective."

This comes as senior Administration officials told the press that on Sept. 12, Bush will call on the UN to achieve disarmament in Iraq. Although retaining the option of U.S. unilateral action if the UN fails, the implication is that regime change is no longer an essential demand.

Powell also told *Le Monde*: "Accusations of unilateralism, or 'non-multilateralism,' are clichés, which do not reflect the nature of our relationship. That we disagree is not a disaster. The Europeans should not wonder whether the coalition is breaking up. The coalition is solid."

### **Rumsfeld's Article on Preemptive War Doctrine Scrapped by the White House**

According to *Washington Post* reporters Karen DeYoung and Mike Allen on Sept. 7, a 2,300-word article written by Defense Secretary Donald Rumsfeld for the Sunday edition of the *Post* on the need for preemptive war on Iraq *was scrapped by the White House*.

This story on the Rumsfeld treatise was leaked by the *Post* itself in the context of reporting on the Bush decision to go to the UN about Iraq. Bush is reported to be planning to tell the UN on Sept. 12 that they must act to disarm Iraq quickly, or the U.S. will act on its own. The *Post* calls this a "step back from months of escalating Bush Administration threats of unilateral military action and insistence that only the removal of Iraqi President Saddam Hussein can ensure safety from the weapons of mass destruction he is believed to have or is trying to develop."

The *Post* then drops the bomb that Rumsfeld had submitted an article for the Outlook Section of the Sunday *Post*, "making the case for preemptive military action to head off potential threats from weapons of mass destruction ... that deterrence, sanctions and diplomacy might be inadequate against threats from Iraq and other countries," naming Iran, North Korea, Libya, and Syria. The *Post* writes: "Defense officials had said the article would need to be cleared by the White House. The article was delivered Tuesday. Rumsfeld approved a final version shortly before leaving for Camp David at 4:30 p.m. yesterday. Around 6:00 p.m., a Defense official said the White House decided the article could not run." The Defense Department claimed Rumsfeld himself made the decision because the timing "was not right."

The *Post* otherwise reports that "senior officials" in the Administration said that the UN is expected to extend an endorsement of U.S. military operations in the case that the UN-administered options fail, and that "the UN, not the U.S., credibility is at stake."

### **Arab States Resolve To Oppose U.S. Attack on Iraq**

On Sept. 5, during a meeting of the Arab League in Cairo, Egypt, Arab League Secretary General Amr Moussa said that a strike against Iraq would "open the gates of hell." Resolutions passed by the Foreign Ministers at the meeting of the League called for a "complete rejection of threats of aggression against some Arab countries, in particular Iraq." But, the meeting also called for a return to Iraq of UN weapons inspectors.

"We continue to work to avoid a military confrontation or a military action, because we believe that it will open the gates of hell in the Middle East," said Moussa, adding "We again reiterate the importance of full implementation of [UN] Security Council resolutions. We are for the return of the inspectors within an agreement, an understanding, between the

government of Iraq and the Secretary General of the United Nations."

But, "When it comes to implementation of Security Council resolutions, we wonder why should we insist only on Iraq to implement Security Council resolutions. Although this is correct ... what about Israel?"

On the same day, Sudan's Foreign Minister Mustafa Osman Ismail, attending the Arab League meeting, said that delegates had almost finished drawing up a resolution to conclude their two-day discussions. "Unanimously, the resolution is saying that all Arab states are against any attack— whether against Iraq or any Arab state."

Ismail, emerging from a closed meeting, was asked about the prospects for Arab allies of the U.S. giving logistical support to an attack on Iraq. "Since there is a consensus to reject an attack, that means implicitly that no Arab country will cooperate in the execution of this strike," Ismail said.

### **Sharon Blocking Arafat Visit to United Nations**

Ra'anan Gissen, spokesman for Prime Minister Ariel Sharon, said that if Palestinian Chairman Yasser Arafat leaves the West Bank, he will not be allowed to return.

"He's free to leave, but he's not free to come back." Gissen said that this is what Sharon told his Cabinet. Palestinian Cabinet Minister Saeb Erekat said that Sharon's stand was "despicable" and accused him of sabotaging peace efforts.

The Sharon government fears that international support would greet Arafat at the United Nations General Assembly meeting in New York this week.

### **Sharon War Crimes Continue**

According to reports in the Israeli newspaper *Ha'aretz*, the Israeli military killed 49 Palestinians in the month of August; 30 of these were unarmed bystanders and included women and children. The body count included seven children under the age of 15, including two girls under 10 and two women from the Gaza Strip, one aged 50 and the other 86. Ten were so-called "wanted" men, two of whom Palestinian sources say were killed after their capture. Most were killed in their homes or working in their fields. It should be noted that these people were killed after the infamous massacre of 17 people in the bombing of an apartment house in Gaza with a one-ton bomb on July 23.

Indeed, international observers have noted that the U.S. fixation on preparing for a war with Iraq on the anniversary of the Sept. 11 attacks, is affording the fascist circles of Sharon and his generals the opportunity to carry out even greater atrocities against Palestinians.

Statements from United Nations officials point to a humanitarian and military disaster that violates sections of the international law embodied in the Geneva Accords.

*Ha'aretz* reported on Sept. 6 that the UN Secretary General's personal humanitarian envoy for the Middle East, Catherine Bertini, reported that the humanitarian crisis in the Palestinian territories will "spiral out of control" because of the Israeli policy.

"The closures and curfews have inhibited the movement of people, goods, and services within the West Bank and Gaza, and between the West Bank and Gaza and Israel, Egypt, and Jordan," she said. "As a result, the Palestinian economy has by

and large collapsed."

On Sept. 3, the *UN News Service* reported that, in response to the recent days' military attacks on civilians by the Israeli Army, Terje Roed-Larsen, the UN's Special Envoy for the Middle East Peace Process, issued a statement saying he is "deeply disturbed" by these assaults. He condemned Israel's "prolific use" of tank and helicopter munitions in areas heavily populated by civilians. Similarly, he objected to the Israel Defense Force's use of "flechette" ammunition, which had been used in the Gaza, a weapon characterized as "thousands of small darts designed to maximize injury and death." Military action which fails to take "reasonable measures to minimize civilian casualties is a violation of international law," he said.

### **Barghouti Show Trial Begins in Israeli Court**

The show trial of Palestinian parliamentarian Marwan Barghouti began on Sept. 5; Barghouti refused to recognize the authority of the court and refused to be represented by an attorney.

In a previous court appearance, on Aug. 14, he had issued a passionate and eloquent appeal for peace, speaking in Arabic, Hebrew, and English, before being muzzled by the Israel court (see *EIW* #24, Aug. 19).

On Sept. 5, Barghouti said, "I don't recognize this court. This is a court of the occupation. I am a Palestinian parliamentarian. I was elected by the Palestinian people. I am a political figure." He said the proceedings violated international law since he is a member of the Palestinian Parliament. "There's a mistake here. The one who should be sitting here (as defendant) is the government of Israel. You have no right to try me," he told the judges in fluent Hebrew.

The indictment and proceeding are a show trial by the Sharon government to "prove" that the Palestinian Authority is a terrorist entity run by the arch-terrorist, Yasser Arafat. The Israeli Foreign Ministry claims it wants to use the trial to show the world its position. The indictment charges that Barghouti is a terrorist because he is the head of specific Palestinian organizations.

Nonetheless, the reality, according to Israeli sources, is that Barghouti is seen as the real successor to Arafat, to whom he is loyal. He is seen as such not only by the majority of Palestinians, but internationally as well, including by Egypt and the Europeans. Despite the charges against him, it is well known that he was an early supporter of the Oslo agreements. Sharon would like to murder him, because he is a moderate. It is only because of international pressure that Barghouti has not been assassinated while in Israeli custody.

### **Iran's Khatami Seeks Broader Powers**

Iranian President Mohammed Khatami, in a press conference Aug. 28, announced his intention to submit a bill to the Majlis (Iranian Parliament) to give him more power to implement his reform policy, overriding the objections from the conservative clergy who dominate the country. This comes in the context of significant international diplomatic initiatives with Gulf State neighbors, and the historic rapprochement with Saudi Arabia and Iraq.

However, among the U.S.-based "chickenhawks" and neo-conservatives, universal fascist Michael Ledeen, of the American Enterprise Institute, is taking the point against Iran, and wrote a commentary in the *National Review* deriding the move as a farce, since, in his view, those who hold power—the clergy—will not be forced by laws to give it up. The *New York Times* carried an editorial, "Reviving Reform in Iran," which ostensibly supported the move, saying Khatami had finally "issued a bold challenge" to the conservatives. At the same time, the paper predicted that Khatami's bid to introduce new laws would fail, despite his overwhelming popular and parliamentary support, because of the conservatives' right to veto legislation. The *Times* asserted that Khatami's diplomatic efforts with Arabs and Europeans have failed to break Iran



out of "international isolation." This is a patent lie, considering the rapprochement of Iran with Saudi Arabia and Iraq; Iran's extensive economic, military, and energy cooperation with Russia, and recent moves by the European Union to draft a broad cooperation treaty with Tehran.

The situation inside Iran is indeed tense, and anything could happen, particularly in the context of the U.S. preparations for war against neighboring Iraq, and Israeli threats to strike at Iran. Ledeer and the *Times* appear to hope that Khatami will not succeed.

### **Israeli Reserve Soldiers Petition High Court Against Occupation**

Eight Israeli reserve combat officers and soldiers filed a petition before Israel's high court, demanding it rule that serving in the occupied territories is illegal. These are soldiers from the group Courage to Refuse, who have signed a letter declaring their refusal to serve in the territories.

One of the petitioners, David Zonsheine, a lieutenant in the paratroopers, said, "The duties imposed on the IDF soldiers in the occupied territories are immoral and illegal. Moreover, they do not serve the security interests of my country. As a Jew, an Israeli, and an IDF soldier, I refuse to take part in these activities."

Michael Sfarad, the attorney of the petitioners, said the petition argues that ever since Israel began systematically violating the human rights of the Palestinians in the territories and shaking off its responsibility, according to Israeli and international law, to take care of them, its presence in the territories has become illegal. Some 26 reports from 14 organizations that reviewed the implications of the occupation were added to the petition, as well as personal testimonies from more than 20 officers and soldiers, outlining the systematic infringements of human rights.

## **Asia News Digest**

### **Three Gorges Dam Withstood Yangtze Flooding**

According to China's official newspaper *People's Daily* of Sept. 5, the Three Gorges Dam, the world's largest, has "survived unscathed" the floods on the Yangtze this summer, which were among the worst floods ever, rivalling the disastrous floods of 1998. The floodwaters are now subsiding.

"Having been severely tested by the floods—the most authoritative quality controller—the completed sections of the dam have made people rest assured," *People's Daily* quoted the Austrian engineer who is general supervisor of engineering for the project.

By the end of August, the dam was about 70% complete. It has been designed to withstand the heaviest floods recorded in a period of 10,000 years.

During the flooding, the cofferdams built when the main stream of the Yangtze was blocked in November 1997, were demolished to test the dam's leak-proof capability, and the results were very satisfactory.

"The dam's design is absolutely safe, and when it is completely finished, it will be able to control floods effectively," *People's Daily* quoted Zhang Chaoran, general engineer of the Three Gorges Development Company, as saying. As soon as the flood season ends, the river will be dammed a second time to pave the way for next year's three scheduled goals—water storage, navigation, and power generation, Zhang Chaoran said.

## **Survey Begins for China-Kyrgystan-Uzbekistan Railroad**

The Kyrgyz government has announced it will spend one-third of a 15-million-yuan grant it received from China, to launch survey work for the China-Kyrgyzstan-Uzbekistan railroad ("Paris to Shanghai" railroad) project.

Also, Uzbekistan has begun to build a highway linking its capital, Tashkent, with Osh in Kygystan, with a planned extension to Kashgar in western China. Kazakhstan already has a road link to China, and Tajikistan is also building the highway through Pamir Mountains.

According to the Uzbekistan media, these transport projects are being seen "as a modern-day Silk Road" to strengthen links between China and Western Europe. Also, new transit links will help Central Asian nations find new markets in China for their commodities, including oil and gas.

In another rail-related breakthrough, the Qinghai-Tibet Railway Company has been founded in the western Chinese city of Xining, according to the official Chinese wire service *Xinhua* Sept. 5.

This state-owned enterprise will be responsible for construction and operation of the Qinghai-Tibet railway, the rail line "to the roof of the world." It is to be administered directly by the Ministry of Railways and will be responsible for its own profit and loss, which is Beijing's new policy for administering public-funded railways.

The new company will build the rail line section from Lhasa in Tibet to Gormo in Qinghai, and manage the building and operating of the railroad, after it is completed by 2007.

## **Philippine President Arroyo To Ban Short-Term Foreign Loans**

Saying that she was taking a lead from Thai Prime Minister Thaksin Shinawatra's moderately successful protective measures, Philippines President Gloria Arroyo said the Philippines must depend more on domestic consumption than on exports, according to the Manila-based *Business World* Sept. 4. The method of "managed asset reflation" used by Thaksin will be implemented, allowing a rise in domestic asset prices "to encourage the shift from import dependence," while encouraging long-term bank lending to small and medium-sized businesses (SMEs). This is intended to increase domestic demand by increasing employment in the widespread SMEs. The Philippine economy is close to collapse, with the U.S. import collapse hitting it harder than any other Southeast Asian nation.

## **Fitch Rating Agency Warns Philippines of Brazil Parallel**

The Hong Kong-based Fitch rating agency issued a tough warning to Gloria Macapagal Arroyo's government on Aug. 20, following the announcement that her government had already hit its annual deficit ceiling only seven months into the fiscal year. Fitch added that Manila's sovereign rating outlook would not be lowered, but warned that the situation "highlights the need to restore fiscal performance swiftly in light of the domestic political timetable and global contagion fears." The release adds: "with 50% of public debt denominated in foreign currency and international market financing needs of US\$2 billion annually, the Philippines is potentially vulnerable to contagion, underscoring the need for a credible domestic macroeconomic policy framework."

Fitch says that, although the government is committed to a target budget deficit of 3.3% of GDP, the chances of realizing this now are slight, pointing to low tax collection as the weakness. "If the deterioration in public finances were to persist through 2003 and into 2004, Philippines international credit standing and sovereign ratings would be under threat. Given

the backdrop of events in Latin America, the Philippines' fiscal woes could not have come at a worse time, leading investors to draw parallels with Brazil, however unwarranted."

President Gloria Macapagal-Arroyo announced the cancellation of a trip to Europe due to the crisis. She said there were "a number of developments, namely on the fiscal and peace-and-order fronts, that require my continued stewardship."

### **Afghanistan: Are U.S. Troops Caught in a Meatgrinder?**

The assassination attempt on Afghan Interim President Hamid Karzai at Kandahar, and a huge bomb explosion in a busy bazaar in Kabul, put paid to any illusion that the Afghan war is over. In reality, the United States is isolated in Afghanistan, and left with very few friends, while enemies are swirling all around them.

The assassination attempt in Kandahar— three shots were fired from the roadside at Karzai's car, missing the President and slightly wounding Provincial Governor Gul Agha Shirzai, shows that the U.S.-backed Hamid Karzai has become an intruder in his own land. The U.S. security guards who now protect the President 24 hours a day, returned fire, killing three— including an Afghan military personnel. The assassination attempt was attributed to the Taliban and al-Qaeda.

The Kabul bomb, the handiwork of the now-estranged American mujahideen asset of yesteryear, Gulbuddin Hekmatyar, killed 36 and injured more than 200 others. According to reports, the death toll is still rising.

These two incidents this week are the front end of what began in earnest with the failed loya jirga in June and the assassination of Haji Abdul Qadir, Karzai's vice president and a powerful Pushtun leader from Nangarhar province. Reports indicate that the entire south and east of Afghanistan, where the Pushtuns reside and the Taliban ideology prospered in earlier days, is now out of control. Warlords, supported by massive opium production, are now in the process of mobilizing under the banner of the Taliban and Hekmatyar's Hezb-e-Islami.

Hekmatyar, who cooled his heels in Iran in the latter part of 1990s, has now given a call for jihad against the infidel Americans. All reports indicate that the Pushtuns, angered by what they see as the insensitive behavior of the American troops and American vengeance toward fellow-Pushtun Taliban members, are lining up to pick up arms against the Americans. And arms are plentiful, as was pointed out by the U.S. Air Force Brig. Gen. John W. Rosa when he told the press at the Pentagon on July 24, "almost any place we go, we find some type of weapons."

Pakistan's former Inter-Services Intelligence (ISI) Chief and the trainer-cum-controller of many Taliban and al-Qaeda personnel, Hamid Gul, told the *Washington Times* recently that the "U.S. is out and the Taliban are coming back (in Afghanistan)."

The future for the U.S. troops is truly bleak in Afghanistan. There are only 16,000 US troops in the area. In their invasion, the Soviets brought in 118,000 and could only control a few towns. Reports indicate that a lot more American soldiers have been killed since the operation began in October 2001 than is reported: The Russians and Indians claim the figure is as high as 300-400; the Pentagon says 100. The real number is somewhere in between. In addition, some 100 American troops are also missing.

Al-Qaeda operatives have made it clear that unless the group can make some big hits now, its credibility as a "prime terrorist outfit" will be on the wane. It is evident that the Afghan situation is ripe for the al-Qaeda to exploit, to make such hits.

It must also be noted that the Soviets were contained themselves within Afghanistan; they could not move into Pakistan,

since that could have triggered a direct confrontation with the United States. The United States, on the other hand, has now virtually incorporated Pakistan into its Afghan operation, which has weakened the Pakistan government of Gen. Pervez Musharraf. It is a matter of time before President Musharraf will allow anti-U.S. activities within Pakistan.

It is bad enough for the United States to have about 12 million Afghans as its enemies, but it is downright fatal to have 130 million Pakistanis as adversaries.

### **Did U.S. Deputy Secretary of State Set Up U.S./Japan/Australia Strategic Grouping?**

The idea of a trilateral military alliance was first brought up last year, and provoked a stern response from China, which declared that such a body was clearly aimed at isolating China. According to *The Australian*, the recent meetings in Tokyo between U.S. Deputy Secretary of State Richard Armitage, Japan's Vice Minister of Foreign Affairs Yukio Takeuchi, and Australia's Secretary of Foreign Affairs Ashton Calvert, "inaugurated a new body, which is expected to meet annually." The Australians, who are courting Chinese oil contracts and other business deals at the same time that they pursue their role as the "U.S. Sheriff in Asia," are aware of the contradiction— Foreign Minister Alexander Downer (who was not in Tokyo) met with the Chinese Ambassador to Australia on Aug. 22 to explain the supposedly benign character of the three-way defense discussions. According to *The Australian*, Downer is the initiator of the idea, starting in March 2000. The plan to drag the Japanese into the utopians' war plans internationally is an openly acknowledged purpose of the trilateral grouping.

Asked by an Australian ABC reporter about the meetings, Armitage snickered: "Nice try," and dodged the question.

Armitage was caught by a *Mainichi Shimbun* reporter, who quoted his own words back to him, from his March 2001 confirmation hearings. At that time, Armitage had said, "I believe that many of the theoretical debates of the merits of unilateralism and multilateralism become truly relevant only when we have lost the ability to attract supporters to a course of action desired by the U.S. The coalition built a decade ago to free Kuwait did not materialize out of thin air. It was built by those who are able to draw upon relationships of trust.... If we view foreign policy as an episodic endeavor to be engaged in only during times of crisis or convenience, we shall find unilateralism to be a *fait accompli* instead of an option. Close and constant consultation with allies is not optional, it is a precondition for sustaining American leadership."

The Japanese reporter asked if Armitage agreed with James Baker III and Richard Holbrook that a new UN resolution was required for an attack on Iraq. Armitage said that he was in Japan living up to that dedication to consultation, and that he had not asked Japan to do anything. On the UN, he said the existing resolutions give "sufficient latitude [to the U.S.] to move forward, if that's the President's decision."

### **Top Bush Adviser Edits Another RAND Study, Seeking More Bases in Asia**

Called "U.S. Air and Space Power in the 21st Century," the report edited by Zalmay Khalilzad says that "In the Asian arena, the USAF's biggest problem may be lack of adequate basing in the South China Sea and in Southeast Asia. Addressing these shortfalls promises to be a difficult and long-term problem." According to *Asia Times*, it recommends expanding the number of bases, finding one or more "reliable" allies in each region of the world, and "count[ing] on them to cooperate when asked," as well as getting more "long-term extraterritorial" basing rights like Diego Garcia.

Khalilzad, who headed the civilian side of the Bush transition team at the Pentagon before joining the National Security Council and representing the President in Afghanistan, was the leading writer of a RAND report last year called "The U.S. and Asia: Toward a New U.S. Strategy and Force Posture," which called for the U.S. to prepare war plans for East Asia in the face of Chinese opposition.

## **Australian Push To Use Papua as Another East Timor, To Break Up Indonesia Further**

Following the ambush of a group of teachers last week in Papua, leaving two Americans and an Indonesian dead near the Freeport-McMoran mine, supposedly by a rogue faction of Papuan separatists, the Australian press has gone on a rampage against the Indonesian military, accusing them of manufacturing the incident (claiming this is the normal *modus operandi*, as seen by the military in East Timor) in order to blackmail the Freeport company for "protection" money, and to justify all-out military assault on the Free Papua Movement (OPM). Not a shred of evidence is put forward.

The Australian press (e.g., *Australian Financial Review*—*AFR*, *Courier Mail*) claim this would also further promote Indonesia's efforts to get U.S. military support passed by the U.S. Congress. The *AFR* quotes Brigham M. Golden of the Council on Foreign Relations saying that the military "has used OPM elements as proxies," and that the military benefits from instability in the region.

The *Courier Mail* states outright that although it may not be in Australia's interest to see Indonesia "torn apart by separatist movements, yet neither can it afford to turn a blind eye to a bloody Kopassus [special forces] crackdown." They say that Australia should not be "caught unprepared" as in East Timor—meaning that Australia should intervene now, rather than later, to support independence (and chaos) in the Indonesian Province.

Sidney Jones, formerly of George Soros's Human Rights Watch, but now promoted to top Indonesia-basher at the International Crisis Group (run by former Australian Foreign Minister Gareth Evans), added her voice to the chorus.

## **World Bank Has Assigned Leading Eco-Fascist To Run Its Indonesia Program**

Dr. Andrew Steer, a British economist, headed the World Bank's Environment Department during the years in which the Bank became the leading hit-squad for "sustainable development" as a euphemism for forced backwardness, in the 1990s. Since 1997, Steer has run the World Bank program in Vietnam. A key proponent of the "new environmentalism" at the Bank, Steer has been their controller for the "Rio Summit" process of the past ten years. Promising goodies to "end poverty" (goodies which never arrive), Steer is an exemplar of the sophistry of the new fascism, which should be a warning to the Indonesians to keep him out of the country, and to the world that the World Bank has ominous plans for Indonesia. Some examples, from an interview in 1996:

"In the 1950s and '60s ... it was a bricks-and-mortar approach to development. Most experts in those days, believe it or not, actually thought that if you simply were able to provide infrastructure— that is, telecommunications, roads, ports, water supply and so on— that these were the constraints that were preventing the developing countries from really developing....

"... You can't think of development without seeing how it really relates to the natural world.... Basically, the goal of sustainable development is to eliminate poverty..., but you've got to do that in a way that preserves the world's forest stock, preserves the atmosphere so that we don't suffer a 4-degree increase in temperature through climate change, that preserves the wetlands, and so on."

"And we've shown in fact that it is the ability of villages to work together that is an even more important determinant of development than some of the more traditional kinds of capital, such as whether or not you have a good infrastructure system, or even whether or not you have a good educational system."

Jakarta, beware!

## **Kra Canal Has Thai Prime Minister's Support**



The Kra Canal project has the support of the Prime Minister of Thailand, and rising interest from China, Thai Defense Minister Chavalit Yongchaiyudh reported Aug. 27, as written up in the *Bangkok Post*. General Chavalit chairs the national panel, which is exploring feasibility studies for the major project. The Thai Senate has a separate panel on feasibility of the project.

Chavalit asserted that the Kra Canal would open a new chapter, not only for the Thai economy, but for the region as a whole. He said the Cabinet was expected in a few weeks to look into offers from private companies, mostly joint Thai-foreign ventures, interested in funding the feasibility study. Many countries, including China, have expressed keen interest in investing in the construction of the canal, he said.

The Senate committee submitted its findings on the canal project to the Chavalit panel, which touched on geological aspects of canal construction. Suradech Yasawasdi, a member of the senate panel, said Gen. Chavalit was also briefed on the panel's visit to China six months ago to discuss the canal project with Beijing. Suradech said China's Economic Development Deputy Minister welcomed the project. The canal would shorten the distance and cut shipping costs, Suradech said, adding that China was capable of building the canal faster and more cheaply than many other countries.

### **Thailand Will Seize Undeveloped Land, Distribute to Landless**

The land reform proposal was announced by Deputy Interior Minister Sombat Uthaisang, who said laws on the books since 1954 allow the seizure of land left undeveloped for more than 10 years, and five years, in some cases. Although never used, the law will now be implemented to provide land to Thailand's 1.5 million landless families. The government will target speculators, and not holders of small properties.

## **Africa News Digest**

### **Sudanese Peace Talks Collapse and War Resumes**

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Dr. Ghazi Salahuddin Attabani, adviser to the President for peace, and head of the Sudanese government delegation, left Machakos, where talks were being held, and Foreign Minister Mustafa Osman Ismail told reporters in Cairo, "The energies of the state and the Sudanese people will be directed towards military operations." Sudanese President Gen. Al Bashir announced a general mobilization, and the war is on. The SPLA deployed 9,000 troops to take Tobit, which indicates significant logistical back-up. The shift in the military situation dovetails with a renewed campaign against Sudan, now accused of harboring al-Qaeda financial assets.

### **SPLA Reneges on Peace Agreement in Dual Provocation**

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The SPLA now proposes a two-state solution, which is axiomatically at odds with the Danforth framework, and at odds with the July agreement, the Machakos Protocol, which called for a six-year period of unity, followed by a referendum on the question of one state or two. The SPLA also opposes having Khartoum as the capital if Shari'a (Islamic law) is the law there—the capital must not be under Shari'a, it says. This is also outside the Danforth framework and the Machakos Protocol. The government could never accept these two proposals, and the SPLA knows that.

Now, in response to (or in tandem with) the breakdown of the peace talks, elements in the U.S. Congress are looking to pass legislation that will impose sanctions against the government of Sudan, unless a firm peace agreement is reached with southern Sudan over the next six months, writes the London *Financial Times*. "But supporters of the bill, known as the Sudan Peace Act, have agreed to drop a controversial provision that would have prevented foreign oil companies that operate in Sudan from raising funds in U.S. capital markets."

The new legislation—which supporters are hoping will pass the Senate and House this month—would require the Bush Administration to block all international financial aid to Khartoum and to downgrade diplomatic relations if the peace deal is not finalized in six months. In addition, Congress would authorize up to \$100 million annually in aid to the south if peace talks fail.

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Just as the U.S.-backed SPLA reignited the war in Sudan, and sources reported U.S. plans to partition the country, to seize its oil, the *Washington Post* has launched a new attack against the country, alleging that al-Qaeda and Taliban "financial officers" have smuggled large amounts of gold into Sudan. The story goes that the gold was shipped from Pakistan, via Iran and the UAE, to Sudan, "according to European, Pakistani and U.S. investigators."

The intelligence officials quoted in the *Post* "said the movement of gold ... highlighted three significant developments in the war on terrorism: the growing role of Iranian intelligence units allied with the country's hard-line clerics in protecting and aiding al-Qaeda; the potential reemergence of Sudan as a financial center favoring the organization; and the ability of the terrorist group to regenerate new sources of revenue despite the global crackdown on its finances." Russia was also brought into the equation, as one Victor Bout, an arms merchant with 50 planes in the UAE, is said to have transported the loot.

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Less publicized was a Sept. 2 BBC interview in which Nujoma finished the subject with: "European Union [you] must change your attitude towards Africa. We are no longer your slaves, neither [are we] any longer colonized by you. If Tony Blair's government, as he has done it, to mobilize the European Union to impose sanctions against Zimbabwe, we [in the] African Union can also do the same. We will mobilize the whole continent of Africa not to allow any raw material from Africa to Europe. Unless you change your attitude.... I just want to make it categorically clear that if the European Union does not lift the sanctions against Zimbabwe, the whole African Union will also impose economic sanctions against Europe. Either there is peace or war. And we don't want war. Because you, Europeans, you enslaved us, you colonized us and you continue to do the same. Change your attitude; if you don't change, we are going to get you."

On his return from the Johannesburg summit, Nujoma told reporters at Eros airport that he had "told" Western nations "that we don't need your money. We can develop ourselves."

The remarks by Nujoma, and equally harsh remarks made by Zimbabwe's President Mugabe, set the stage for a backlash of negative reaction that other government leaders received when they attempted to attack President Mugabe for his controversial land reform policy.

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Namibian President Sam Nujoma said at his party's conference Aug. 24-25: "The landless majority of our citizens are growing impatient by the day. If those arrogant white farmers and absentee landlords do not embrace the government's policy of willing-buyer, willing-seller now, it will be too late tomorrow." The law in Namibia states that the government may expropriate under-utilized commercial farms with due compensation.

\*Namibian Minister of Agriculture Helmut Angula announced in a statement in mid-August, that the government would allow farmers to export meat "on the hoof" for another 12 months only. Nujoma promoted the idea that all livestock be slaughtered locally, in order to add value and provide jobs for Namibians.

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"One of the mysteries of the Zimbabwe saga, now hurtling towards its catastrophic climax, is why the white farmers still sit passively, like sheep, on their expropriated farms, waiting for somebody to deliver them from ethnic cleansing [sic].... [Perhaps] they are misled by their vociferous but uninfluential local [South African] supporters to believe South Africa will throw the place into economic collapse and social disorder by cutting off the electricity.... Local whites respond with enraged declamations about justice and property rights that never occurred to most of them when their own government was stealing land. It is sound and fury, signifying nothing. Some kindly person should tell the farmers that the game is up...."

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"White South Africans argue, some in genuine conviction, that if [South African President Thabo] Mbeki refuses to berate Mugabe, it proves he himself will soon be nationalizing the mines and the banks, as well as the farms. The argument is silly, but if you truly believe it, take heed of what happened to Zimbabwean farmers who sat complacently, waiting for the Great White Queen Across the Sea to send a warship. The time to act is now.... If you plan to leave, go quickly, but if you plan to stay here, try to learn some lessons from Zimbabwe."

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