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THIS WEEK YOU NEED TO KNOW

Korea and World Peace

by Lyndon H. LaRouche, Jr. — Sunday, December 15, 2002

I am thankful for the U.S. Government's official apology to Spain, over the attempt by some U.S. rogues to involve Spain in an attempted destabilization of the ongoing Korean election campaigning. The restoration of rail transport within Korea which will allow us to connect Pusan to Western Europe, is an essential part of the effort to rescue the U.S.'s partner Europe from the effects of a currently accelerating general economic collapse around most of the planet. The currently continuing attempts of U.S. official "Chickenhawks," such as Richard Perle and his accomplices, to trigger a war-like crisis in the Korean Peninsula, must be stepped on, hard.

A group of Eurasian nations, including the Strategic Triangle of Russia, China, and India, is emerging as the pivot of an increasing density of far-reaching, long-term economic development projects within Asia. This includes Korea, Japan, and Southeast Asia. The foundation of this ongoing economic strategy includes large-scale infrastructure projects which will serve as a critical margin of long-term stimulants to the entire region. Among the effects will be a long-term growth of large margins of exports of relevant technology from Europe, and similar opportunities for U.S. trans-Pacific trade.

Those benefits depend in significant degree upon strategically crucial cooperation among Japan, Korea, and China. Japan urgently needs the opportunity to return to the industrial-goods export orientation of the period prior to Zbigniew Brzezinski's U.S. wrecking of Japan's oil-for-technology relations with Mexico, for example. Japan's prospect for participation in cooperation among Russia, China, and Korea, is therefore a critical factor in Japan's early future. A revival of the pre-1997 industrial capabilities of Korea, and the development of the rail connection from Pusan to Europe, is therefore a critical frontier of the defense of the U.S. economy itself.

Therefore, any other meddling madmen who are seeking to disrupt the Korea rail connection, or target North Korea for U.S. Chickenhawks' attempts to use it as a nuclear alternative for warfare on Iraq, must be considered as a threat, not only to our friends in Eurasia, but, also a menace to the imperilled economic security of the U.S.A. itself.

LATEST FROM LAROCHE

LaRouche Announces Jan. 28, 2003 Webcast, 'The Coming State of the Union'

On Dec. 10, Democratic Party 2004 Presidential pre-candidate Lyndon LaRouche's campaign released a statement called "The Coming State of the Union: Now, Two Years Later." The statement says:

"A little more than two years ago, I broadcast a forecast of the likely situation during a year under the George W. Bush then awaiting inauguration as the next President. Subsequent events have fully borne out that economic forecast in a timely

fashion, like every published economic forecast I had delivered to the written record during the preceding thirty-odd years. So, now, on Jan. 28, 2003, at 1300 hours Eastern Standard Time, I shall deliver another history-making forecast on the state of the Union and of the world, by webcast, from our nation's capital.

"A few days earlier, President George W. Bush should have presented his annual State of the Union address. Then in my report of Jan. 28, I shall tell the world where President Bush was right in his official report, and where he must urgently change his opinion.

"Now, the world is gripped by the onrush of what will prove to be the greatest monetary-financial crisis in more than a hundred years. Wishful fools are hovering anxiously at Dracula's grave-site, waiting for the relevant Dracula—the present world monetary-financial system—to recover. That succubus system will never recover; but, the economy of the U.S.A., the Americas, and elsewhere could recover as it did under President Franklin Roosevelt's leadership, if the President and Congress are willing to take the early steps needed to set that recovery into motion.

"What exactly will happen during 2003? Only witches and the financial-market touts who have so richly duped and robbed so many among you predict, but prophets and honest economic forecasters deliver warnings of danger, like the warning delivered to the doomed Biblical Belshazzar. I predict nothing; I warn you of the danger you incur if you do not accept the advice of the most successful economic forecaster of the past thirty-odd years.

"My job is to lead you, and also the current President, out of the present mess, if you and he are willing to face reality. On Jan. 28, I shall sum up the situation, and answer your questions about this matter."

LaRouche in *Yarin*: A New Role for the U.S.A. Today

"Turkey today is, like many other nations, primarily a victim of the follies embedded in the current policies of the U.S.A. at this moment. Those policies are susceptible of sudden change, possibly, hopefully, soon..."

LaRouche in Hungary: The Science of Physical Economy Today

On Dec. 12, Lyndon LaRouche addressed a workshop on the theme: "The World Economy in Crisis: Need for a New Bretton Woods," at a conference organized by the Committee on Finance of the Hungarian Academy of Sciences in cooperation with the International Schiller Institute and the Hungarian Economic Association in Budapest.

The conference took place in the Protocol Room of the Ministry of Finance. The opening address was given by Prof. Bela Csikos-Nagy, member of the Hungarian Academy of Sciences, Chairman of the Committee on Finance. The conference moderator was Prof. Tamas Bacskai. Among others who spoke, was Dr. Nino Galloni of the Italian Ministry of Labor. There were 25 invited participants in the workshop-seminar.

LaRouche delivered the following speech:

As seen from the U.S.A. today, we are in the terminal phase of a physical-economic collapse of the presently bankrupt, post-1971 floating-exchange-rate monetary-financial system. Inside the world's leading power of the moment, the U.S.A., the Federal Reserve System is conducting desperately inflationary measures modelled in fact on the celebrated German hyperinflationary program of June-November 1923. Typical of the situation: 46 of the 50 U.S. Federal states are currently either bankrupt, or nearly so; the last significant remains of a ruined U.S. rail system could vanish, unless the President and Congress make sudden and radical changes in U.S. policy; the U.S. air-traffic system is at the brink of a general

catastrophe; the leading U.S. banks are essentially bankrupt, and giant real-estate-mortgage bubbles are now ripe for bursting in both poor Cherie Blair's United Kingdom and the U.S.A.

I must warn you that, at the present moment, neither the U.S. government, the Federal Reserve System, nor the incumbent leadership of either the Republican or Democratic Parties, have any competent commitments to deal with tectonic monetary and financial developments of the coming several months. I can not promise that those institutions will come to their senses, but I have strong reasons to believe that remarkable improvements in thinking might occur, even rather suddenly, just as we have, recently, averted a threatened new Middle East war, if only temporarily. There are growing numbers of leading U.S. circles inside and outside government who recognize the nature of the situation. For the moment, the problem remains, that the topmost strata of the relevant authoritative institutions, even among most of those who agree with my proposed reforms, are so far unwilling to take the available steps which could, in fact, bring the rising crisis under effective control.

Three conclusions are to be examined in defining what is in fact a presently global, historic disaster.

First, as long as the U.S.A. and other leading nations continued new, utopian trends in military, cultural, economic, and monetary policies launched during the 1964-82 interval, the world was headed toward something which is not merely a new cyclical crisis, but a final breakdown, a breakdown built into the axiomatic assumptions underlying the world's presently hegemonic, 1971-2002, floating-exchange-rate form of monetary-financial system.

Since the Fifteenth-Century recovery of European civilization from the preceding Fourteenth-Century collapse into a New Dark Age, globally extended European civilization had repeatedly plunged itself into long periods of religious warfare and other disasters, but, until crisis developments of the 1961-71 interval, that civilization had always emerged from threatened disasters as a society defined by goals of production. The adoption of these goals led repeatedly into developments in an overall upward direction. The net effect of changes which have taken over long-ranging trends, since the 1964-82 interval, has been a new kind of system which must have led toward a general collapse of European civilization over a period of between one and two generations. A generation and a half later, that culturally-driven collapse is occurring as a generalized physical-economic collapse of the world's presently hegemonic monetary-financial system.

Second, although the existing monetary-financial system is hopelessly bankrupt, the world economy could be rescued, and a long wave of real growth could be begun quickly, but only under a return to a production-oriented, fixed-exchange-rate monetary system modelled upon the U.S.-sponsored European economic reconstruction of 1946-58. In other words, without a return to something resembling that Bretton Woods model of fixed-exchange-rate, protectionist monetary-financial system, the world as we know it will be quickly doomed to a plunge into a prolonged new dark age throughout, at least, most of Europe, Africa, and the Americas.

Third, any successful effort to reverse the effects of the recent thirty-odd years degeneration of the economies of Europe, the Americas, and elsewhere, will rely upon long-term capital-intensive investments, chiefly in basic economic infrastructure. These will be investments, largely financed at between 1-2% simple interest, much of which will be over spans of from one to two generations: 25-50 years. Most of the initial capital required for this can come from nowhere except the use of long-term credit created by sovereign nation-states acting as leading trading partners.

This could be done only under a monetary system of fixed exchange-rates, probably requiring a new balance-of-payments reserve system pricing monetary-reserve gold at about \$1,000 per troy ounce, or higher.

In some respects, the history of modern European civilization's earlier recoveries from crises, points to the leading measures needed to launch a general economy recovery now. Some steps in that direction are now being crafted in regions of Asia. In my estimation, the presently proposed reforms of the world system are movements in an excellent direction, but

nonetheless still lack certain crucial elements of success. What must be added is a new understanding of the indispensable symbiotic relationship which Colbert, Leibniz, Benjamin Franklin, Alexander Hamilton, Friedrich List, and Henry C. Carey saw, between the role of the nation-state in large-scale development of both scientific progress and basic economic infrastructure, on the one side, and, complementing that, a technology-driven quality of private entrepreneurship in what is sometimes called the *Mittelstand*, in agriculture, manufacturing and related spheres.

During the coming two generations, probably half of the total allotment for national economies in their entirety, will be dedicated to developing and maintaining such forms of large-scale basic economic infrastructure as power generation and distribution, large-scale water management, land reclamation, mass transportation, urban infrastructure, and forms of universal health-care and educational facilities and programs. These infrastructure programs will be the principal immediate stimulus for urgently needed recovery and expansion in productive forms of employment, and will be the principal foundation for large-scale growth in employment in agricultural, manufacturing, and comparable entrepreneurships.

Typical of the great opportunities for global economic renewal and expansion, is the prospect of greatly expanded trading relations between Western and Central Europe, on the one side, and the presently ongoing emergence of a great Eurasian development effort being built up in Asia through the initiative of a strategic triangle of cooperation centered now among Russia, China, and India.

I emphasize that the possibility of a genuine, sustainable economic recovery from the presently ruined state of the economy, requires long-term, large-scale investments, largely by public credit, over a period of one to two generations. We must learn the lesson of President Franklin Roosevelt's U.S. recovery and build-up during the 1933-45 interval; we must do something similar, but, this time, on a larger and longer-term, global scale.

Can Economics Be a Science?

How, then, can we be certain that our choices of long-term investment will not be mistakes? The answer to that is: We must put the study and application of a science of physical economy in the foremost position in the economics departments of our universities and in the shaping of policies of and among governments. We must abandon the mistake of designing economies to meet the utopian requirements of radically monetarist schemes, and revive the intent of those, such as the authors of the U.S. Federal Constitution's Preamble, to design monetary and financial systems which steer production and investment into directions which promote the general welfare in and among nations.

Now, as on various earlier occasions, to illustrate what that means in practice, I have asked my audiences to focus upon certain practical implications of my proposals to develop a network of mass-transport-focussed economic development corridors across Eurasia, from France to Pusan, across Siberia and through China, India and Southeast Asia, into Japan, and beyond. These are corridors of between 50 and 100 kilometers' width, which shall contain within them power, water, centers of urban development, and agricultural, mining, and manufacturing. Look at two fascinating internal features of such a Eurasian Landbridge development. Look at the vast mineral and related resources locked up in arid regions or tundra, which are presently not efficiently accessible.

Foreseeable developments within the framework of that Landbridge will make these efficiently accessible. This development will have the lawful, included net effect of moving goods from Pusan to Rotterdam far cheaper and quicker by high-speed friction-rail or magnetic levitation transport than by ocean-going ships.

Obviously, in committing ourselves to such large-scale development programs over one to two generations, we must know in advance what long-term, global effects we are producing. For this purpose, let us look at what I have just said about the regions of Central and North Asia from the standpoint of Vladimir Vernadsky's concept of a Noösphere.

Although Vernadsky's work had no part in the original development of my discoveries in the science of physical economy, there is nothing in his argument with which I disagree, as far as he goes. To derive a needed economic science appropriate to Vernadsky's work, we must apply the principles of a Riemannian physical geometry to economy as large-scale social-economic systems, but must also locate the function of the mind of the needed type of individual private entrepreneur more precisely. The following summary of my view of the present great relevance of Vernadsky's work for the development of a Eurasian Landbridge, permits me to state the case for physical economy within the constraints of this present occasion.

Now, to make those points respecting long-term forecasting, in this concluding portion of my report, I shall now focus on summarizing briefly, in succession, five, functionally interrelated, crucial topics of a science of physical economy. First, I show how I situate the lessons of Vernadsky's notion of Biosphere and Noösphere within a science of physical economy. Second, the role of the private entrepreneurship of the *Mittelstand* type within modern physical economy. Third, the relationship between the nation-state's role in basic economic infrastructure and the increase of the productive powers of labor, and capital investment, in the private sector. Fourth, I refer to Vernadsky's concept of the Noösphere to identify, as Leibniz did, the urgency of basing the role of human nature in the economy on rejecting the bestial misdefinitions of human nature associated with Hobbes and Locke. Finally, I emphasize the key to all competent long-range economic forecasting, in which we must at last abandon those medieval methods of Claudius Ptolemy's failed astronomy, in favor of applying instead the modern scientific methods of forecasting introduced by Johannes Kepler and his followers.

Vernadsky's conceptions of Biosphere and Noösphere should be made obligatory studies in all training of economists for the relevant missions before mankind today. Not only did he lay the basis for approaching more rigorously problems such as the long-range economic development of the vast tundra and arid regions of the Asian continent. His development of those conceptions conveys to the student of economics an efficient sense of the proper meaning of the term "physical principle" in the successful aspects of the development of all modern experimental notions of physical science. This view of the definition of physical principle from the standpoint of the work of Vernadsky provides the serious forecaster a means of escape from the disastrously failed, *post hoc ergo propter hoc* statistical follies of such celebrated figures as Professor Milton Friedman.

Vernadsky divides the experimental evidence of universal physical principles among three categorical types. First, those effects which the experimental standpoint of physical chemistry defines as reflections of abiotic principles. Second, those effects which physical chemistry defines as products of anti-entropic universal principles which are produced only by living processes: the Biosphere. Third, those anti-entropic effects which are produced only by what Vernadsky terms the "noëtic" powers of the individual human mind: the "Noösphere." For Vernadsky, geobiochemistry shows him that life is cumulatively more powerful an influence for cumulative changes in the physical universe than abiotic processes, and that the "noëtic" powers of the human mind are cumulatively more powerful than those of biology as such. This is the view to be applied to forecasting long-term effects of adopted policies of economic development within the tundra and arid regions of Asia, for example.

Clearly, Vernadsky's work must be featured in any training in the science of physical economy today.

To understand the role of the *Mittelstand* entrepreneur, we must define what Vernadsky chooses to name "noësis," the "noëtic" principle. Here is the point at which the devotees of so-called historical materialism have usually begun screaming the epithet "voluntarist" at me. Vernadsky uses the Greek terms "noësis" and "noëtic" as appropriate choices of synonyms for Plato's use of "hypothesis."

To introduce the notion of "hypothesis" to students on the university level today, I have found it best to focus upon the Classical Greek geometry's precedents for Carl Gauss's 1799 report of his original discovery of the fundamental theorem of algebra, in which he correctly provides a physical definition for the complex domain, in refuting the mistaken views of

d'Alembert, Euler, and Lagrange. Those associated with me in introducing this matter to students, emphasize the connection to Plato's argument in his "Meno" and "Theatetus" dialogues and the Archytas solution for the doubling of the cube by construction. I combine this with the case of Kepler's discovery of universal gravitation, Leibniz's catenary-based definition of a principle of universal least action, and Riemann's deriving a generalized, anti-Euclidean physical geometry, as the physical-science-based definitions of "noësis," "hypothesis," and "cognition" used by me.

These examples of creativity are the basis for a functional definition of "creativity" employed in a science of physical economy. This, in turn, situates my definition of the "voluntarist" role of the typical entrepreneur in increasing the per-capita physical value of the productive powers of labor in society. That entrepreneur's characteristic role is an offshoot of the same function performed in the partnership between the original discoverer of an hypothesized universal physical principle and the team of designers of crucial-experimental processes by which those hypothesized principles are given the quality of test which Riemann defines as a unique experiment. In my writing I have emphasized the way in which technologies are derived from the implications of unique qualities of experiment, as the typification of the machine-tool sector of the *Mittelstand*.

So, the educational development of cadres of persons qualified in the scientific/engineering domain of unique experimentation, is the crucial driver for the increase of the productive powers of labor-in-general, in design of products and of productive processes. This is true for agriculture as for manufacturing, and for engineering in the domain of public basic economic infrastructure. This connection, as reflected in such roles within the *Mittelstand*, is the exemplification of the way in which "noësis" transforms the world and its physical economy, from lower to higher states of the Noösphere.

However, much of the net increase of the productive powers of labor within private enterprises, for example, is generated from outside particular private entrepreneurship, as in improved transportation systems, for example. Take the case of the development of the infrastructure of the Eurasian Landbridge as an example of this. The action of movement of goods by ship does not increase the intrinsic value of the goods shipped. However, when land routes as such become economically interactive with transport, the net cost of transport from Rotterdam to Pusan may even be negative: The increase in wealth generated as a by-product of interaction between transport and production along the route, will be among the principal sources of gain from the operation of the Landbridge as a land-route of high-speed transport.

The discovery and realized application of a new physical principle, is the typical action which sets the human species categorically apart from and superior to all other living species. It is cooperation rooted in this specifically human quality, which separates human beings from such creatures of "The Island of Dr. Moreau" as the sub-human creatures of Hobbes' and Locke's philosophy. This point is well illustrated by considering the effects of Kepler's original discovery of gravitation, as detailed in his *The New Astronomy*, with the intrinsically failed Aristotelean, *post hoc ergo propter hoc* systems of Claudius Ptolemy, Copernicus, and Tycho Brahe.

The fact that Kepler's measured orbit was neither circular, and of constantly non-uniform rates of motion, showed that the Solar System is not ruled by kinematic ricochets, but by principles which predetermine the lawfully defined future position of the body. That is the lesson which must be used to rehabilitate today's economic statisticians, and to bring the matter of forecasting the effects of willfully variable human behavior under the domain of science. I attest, that competent long-range forecasting, in which I have excelled during the recent several decades, follows the model of Kepler's treatment of long-term orbits, not the failed, *post hoc ergo propter hoc* of all too many much too celebrated recent statistical forecasters.

U.S. ECONOMIC/FINANCIAL NEWS

United Files for Bankruptcy; Demands Immediate Pay Cuts from Employees

United Airlines (UAL) filed for bankruptcy Dec. 9, calling it "the best means to facilitate the implementation of the necessary changes into the business to bring costs and operations in line with the new business environment, and get access to new capital not otherwise available through Debtor-in-Possession (DIP) financing." The \$1.5 billion in DIP financing includes \$300 million from Bank One, and a \$1.2-billion package from a group led by JP Morgan and Citibank, and which includes CIT Group and Bank One. Access to \$700 million of the \$1.2-billion facility is subject to United's achieving "performance milestones under its business plan."

The first such milestone announced, was that all officers' pay would be cut by 11%, and all salaried employees' pay would be reduced by 2.8% (for those making under \$30,000), up to 10.8% for those in the top earning group. Talks were to begin immediately with unions this week, and UAL CEO Glenn Tilton told *Reuters* that the \$9 billion in givebacks proposed by former CEO Jack Creighton was "much more like what was needed" than the \$5.2 billion that UAL was negotiating with the unions before bankruptcy.

United Airlines listed \$22.7 billion in assets and \$21.4 billion in debts in its Bankruptcy Petition. The biggest unsecured debt holders are Bank of New York One Trust for unsecured bonds, and Airbus SAS, which is owed \$47.6 million. Electronic Data Systems (EDS), the world's second-largest seller of computer services, said its fourth-quarter and 2002 earnings would be reduced by 5 cents a share because of its \$40-million investment in UAL aircraft leases. This is only the most immediate fallout of the bankruptcy.

One of the first places United will cut costs will be in its aircraft fleet. The huge Boeing 747s, ideal for flying to Asia, may be among the first to go back to the companies that carry the leases, including Boeing. United does not want to give up its international, and especially its Pacific, routes, but will be pressured to use smaller jets. GE, Disney, and Ford also hold United leases. United is expected to follow the cost-cutting model of other airlines and outsource jet engine repairs to the manufacturers.

CEO Tilton told *Reuters* that any UAL assets that do not clearly fit in "the new United," will be sold fairly quickly. There are also reports that Lufthansa is interested in an equity stake.

A liquidation of United is not out of the question. TWA filed for bankruptcy three times, before it was sold to American Airlines early last year. Eastern Airlines, Pan Am, Braniff, and others didn't survive bankruptcy. Continental Airlines has gone bankrupt twice, most recently in 1994.

Oil-Refining Capacity a Weak Flank

The unabated decline of oil-refining capacity in the U.S. exposes another weak flank of the American economy. Just as parts of the states are hit by potentially deadly winter freezes, with demands for heating oil shooting up by 25% in recent days, official data show that U.S. heating oil reserves are 17% below the level of November 2001. The main reason is the continuing decline of U.S. refining capacity—which came to public attention during the California energy crisis almost two years ago. With Venezuelan ports and refinery sites shut down by the general strike there, filling the gap with extra shipments from Venezuela is not possible at the moment.

U.S. Machine-Tool Consumption in Breakdown Collapse

In October 2002, machine-tool consumption by U.S. industry totalled \$186.93 million, down slightly from \$186.95 million in September, which was up from the record low reached in August, according to a report issued Dec. 9 by the American Machine Tool Distributors Association and the Association for Manufacturing Technology. This total for October 2002, although one of the best months of the year, is down 0.6% compared to the level in October 2001. For the first 10 months

of 2002, U.S. machine tool consumption, at \$1,724.34 million, compared to the same period in 2001, represents a steep fall of 26.6%—another indication of the need for LaRouche's "Super TVA" program.

Machine-tool production closely parallels machine-tool consumption.

By viewing the process from a higher level, the disaster is made clear.

U.S. Machine Tool Consumption, on an Annual Basis

(\$ billions)

1997 \$5.56

1998 4.91

1999 3.90

2000 3.99

2001 2.67

Thus, U.S. machine tool consumption in 2001 was already in a depression, at less than half the level of 1997, and the first 10 months of 2002 are 26.6% below the first 10 months of 2001. Machine tools incorporate into their design the most advanced scientific discoveries, and by transmitting them, increase the productivity of the economy as a whole.

Bush Contemplates Privatization of U.S. Postal Service

A nine-member commission newly appointed by President Bush will review the U.S. Postal Service's mission and operations, as part of Bush's plan to allow private contractors to compete for nearly half of the government's civilian jobs in coming years. A report recommending "legislative and administrative reforms" to make the postal system more efficient and cost-effective, must be submitted to the President by July 31, 2003.

Bush named as co-chairmen James Johnson, head of the Brookings Institution; and Harry Pearce, chairman of Hughes Electronics Corp.

The Postal Service, which has already been partially privatized, is required to provide First Class mail delivery nationwide at a uniform price ("universal service") and to break even over time—but does not receive taxpayer funding, instead relying on revenue from operations. In the fiscal year that ended Sept. 30, the Postal Service lost \$676 million—even though it had cut 23,000 jobs. It has already outsourced billions of dollars in operations.

The second-oldest department or agency of the Federal government, the Post Office Department (renamed the Postal Service in a reorganization in 1971) began in 1775 (under the Continental Congress) with Benjamin Franklin, the father of the American Revolution, as Postmaster General.

Manhattan's Top-Tier Real Estate Prices in Free-Fall

The prices of multiple-room and luxury apartments in Manhattan, which command \$3 million and up, have fallen by as much as 25% during the past six months, the *New York Post* reported Dec. 8. During that period, the number of upper-end apartments on the market has increased by about one-third, indicating that many people are trying to sell those higher-priced apartments, but can't—which shows that that portion of the housing bubble is starting to seriously weaken. However, there exists a market for "lower-end" apartments in Manhattan: During the third quarter of this year, the median

price for a studio apartment, which has only one major room (with attached kitchen and bath), jumped by 6%, to \$235,000.

Wall Street Police Blotter

Cendant Corp.'s former chairman **Walter Forbes** was indicted on Dec. 11 on insider trading charges, accused of selling more than \$11 million in company stock one month before Cendant (the world's largest hotel franchiser) disclosed accounting fraud in April 1998—a disclosure that led to a \$14-billion drop in its market value in a single day. A Federal grand jury in Connecticut indicted Forbes and ex-vice chairman **E. Kirk Shelton**, both of whom had been indicted before, on new charges of securities fraud and making false statements to the Securities and Exchange Commission. Both men allegedly inflated revenues for a decade at CUC Inc., which merged in December 1997 with HFS Inc. to create Cendant.

Safety-Kleen Corp.'s former chief financial officer **Paul Humphreys** was charged Dec. 12 with conspiring to overstate the company's earnings by more than \$250 million, a fraud that helped drive one of the country's largest waste-disposal firms into bankruptcy. A Federal grand jury in Manhattan indicted Humphreys on one count each of conspiracy, securities fraud, and bank fraud, alleging that he and controller **William Ridings** illegally "adjusted" upwards the company's 1999 and 2000 earnings results—by 83%, or \$267 million—to meet targets that executives had predicted during an acquisition.

WORLD ECONOMIC NEWS

Italy: Integrate Eastern Europe Through Infrastructure Corridors

On the eve of the just-concluded European Union summit in Copenhagen, the Italian government had proposed that EU enlargement be subordinated to "the realization of strategic infrastructure, both material and immaterial." In particular, Italy was and is interested in the accelerated realization of three "trans-European corridors": No. 5 (Trieste-Ljubljana-Budapest-Lviv-Kiev), No. 8 (Bari-Durazzo-Skopje-Sofia-Burgas-Varna) connecting the Black Sea with the Adriatic, and No. 10 (Salzburg-Ljubljana-Zagreb-Belgrade-Nis-Saloniki). These three corridors are part of the 10 trans-European corridors identified at the Crete conference in 1994, whose realization has been hindered by the lack of financial resources, due to the Malthusian policies of the Maastricht Treaty, the founding document of the European Union.

Parallel to the proposal to accelerate the realization of the trans-European corridors, the Italian government proposed that EU member states proceed with the same urgency to upgrade their own national infrastructure systems. In order to do so, it is necessary to introduce "quotas of re-nationalization of regional development policies," said a technical paper prepared by the Economics Ministry as a synthesis of the Italian requests at the Copenhagen summit. After identifying the three corridors which are of special strategic interest for Italy, the paper said: "Corridors 8 and 10, although interesting for our country, presuppose the existence of national networks ready to connect with them, to bring benefits to the Italian transport system. For Italy, therefore, the absolutely determining and central role is played by Corridor 5, because it represents the key axis of national communication networks, both internal and international."

The paper called for an "EU-Italy" pact, to establish that those national infrastructures play a European strategic role, to "open the way for 'national' authorization procedures" and "differentiated fiscal policies."

Italian Economics Minister Giulio Tremonti took the unusual step of publishing a commentary, jointly signed with the chairman of the Association of Italian Industrialists (Confindustria), Antonio D'Amato, to accompany the publication of the "technical paper" in the business daily *Il Sole 24 Ore* on Dec. 11. In the editorial, Tremonti and D'Amato announced the Italian initiative in the EU, stressing that the strategy of infrastructural corridors requested by Italy, and especially the development of corridors 5 and 8, will allow Italy "to exploit, to the advantage of the whole continent, its position in the middle of the Mediterranean, as a crossroads of traffic with Far East Asia".

German Industrial Output Visibly Down

With the exception of the machine-building sector, which is benefitting from a couple of bigger export contracts with China and other Asian countries, the rest of the German manufacturing sector is experiencing a substantial drop in sales and output. For the month of October, the manufacturing sector as a whole showed a drop of 2.1% from September. The biggest declines are in the consumer-goods sector, at 3.1%; and the energy sector, at 2.8%. Even machine-building, which has been able to compensate for losses on the domestic market with exports, reports a drop by "only" 0.8% (annualized, it would be 9.6%).

The automotive sector reports a drop in sales by 6% in November, over the same month last year, and expects an average drop of 3% for the year. In this area too, exports to Asia helped to compensate for a more drastic drop in domestic sales.

Argentine Default Could Bankrupt World Bank

Argentina will not pay a total of \$980 million due the World Bank on Dec. 15, and will make no debt payments until there is an "absolute certainty" that a "reasonable agreement" will be signed with the International Monetary Fund, the Argentine Chief of Cabinet Alfredo Atanasof announced Dec. 12, responding sharply to remarks made the same day by IMF Managing Director Horst Koehler, who asserted from Santiago, Chile that "to blame the IMF for what happened, and is happening, in Argentina, is totally inadequate." Atanasof stated that "we're not saying the blame for what's wrong should be pinned on the Fund; what we are saying is the bureaucracy of the Fund has promoted the policies that put us in this situation."

In an interview with *Clarín* newspaper Dec. 12, Finance Minister Roberto Lavagna was unequivocal: "Just as the Monetary Fund has no time-frame for an agreement [with Argentina], there will also be no dates, or time-frame fixed for payment of our debt." Lavagna rejected alarmist warnings that a cutoff of \$2 billion in World Bank loans, as a result of this weekend's non-payment, will seriously damage social, health, and public works programs. The \$2 billion was to have been disbursed over a five-year period, he said, and the Finance Ministry is already working on alternative means to keep funding these programs.

Argentina owes a total of \$16 billion in 2003 to the multilateral banks (the World Bank, IMF, and Inter-American Development Bank), which are, as Lyndon LaRouche has pointed out, more vulnerable to bankruptcy with every measure they take to bankrupt the sovereign nations which are their members.

Alan Cibils and Mark Weisbrot of the Center for Economic and Policy Research in Washington warned on Dec. 7, that the World Bank could be worse off than Argentina, should the country miss one more payment—as it just did. Argentina is the fourth-largest World Bank debtor, after China, Indonesia, and Mexico. Standard & Poor's is already threatening to downgrade Bank bonds, should Argentina not pay on Dec. 18, as this means that debtors no longer consider the World Bank, and other multilateral agencies, to be "preferred creditors"—that is, creditors who get paid first after a default. The Bank raises capital through sale of its bonds, and if the latter are downgraded, this raises the cost of indebtedness, and causes losses for holders of Bank bonds.

According to *Clarín*, one of the world's largest pension funds, TIAA-CREF, worth \$290 billion, just unloaded its \$5-million package of World Bank bonds, for "economic reasons."

Weisbrot and Cibils conclude that a total default by Argentina "would then have a big impact on the World Bank's long-term economic health." The IMF has similar problems, because of the percentage of Argentine debt it has in its loan

portfolio.

Argentina Foreign Minister: 'Dissolve IMF!'

Coinciding with the Duhalde government's announcement that it would not make a \$980-million payment to the World Bank due Dec. 15, Argentine Foreign Minister Ruckauf told a television interviewer that the International Monetary Fund is inefficient, and incapable of dealing with crisis situations. "A new, much smaller and more efficient entity should be created—one that is anti-cyclical, that is, where there is a recession, it shouldn't deepen it."

Ruckauf took aim at IMF Director Anne Krueger: "Doesn't Krueger say that countries have to be bankrupted? Then, I have the same right to say that the IMF should be dissolved."

Malaysia Sends Economic Team to Argentina

Malaysia is sending a team of leading economists to Buenos Aires to share its experience in facing the 1997 speculative attack, according to Malaysia's National Economic Action Council (NEAC), the Singapore *Straits Times* said Dec. 10.

Argentina had told Prime Minister Mahathir Mohamad earlier this year that it wanted to know how Malaysia had solved its financial and banking problems. NEAC said a four-member team would visit Argentina Dec. 11-15, in response to the invitation to Prime Minister Mahathir earlier this year from the Asociacion Empresaria Argentina, representing a group of prestigious entrepreneurs.

In his letter to Dr. Mahathir, Asociacion Empresaria Argentina president Oscar Viconte said that although the Malaysian case was somewhat different from Argentina's, Argentine officials were very interested to know how Malaysia solved its financial and banking problems. Viconte said Argentina was very surprised at how Malaysia recovered from the Asian financial crisis against all odds, saying that the transfer of know-how between Malaysia and Argentina would be deeply appreciated and would contribute to the strengthening of bonds that already existed between Malaysia and Argentina.

During their visit, the Malaysian team is also expected to meet with the Argentine Finance Minister Roberto Lavagna, as well as holding discussions with Argentine economists on Malaysia's experience in managing the financial crisis.

'AIDS Attacks the Capacities That Enable People To Resist Famine'

"AIDS attacks exactly those capacities that enable people to resist famine," said Alex de Waal, director of Justice Africa, whose analysis appeared in the *New York Times* Nov. 19. A summary, using much of his language, follows.

About 29 million Africans are infected with HIV, and of those, 3 or 4 million are dying each year. Only 30,000 are receiving anti-retroviral treatment.

Traditional agrarian societies in Africa had managed to adapt to some extent to drought. The victims of drought and drought-induced famine in the past were almost exclusively young children and the elderly. Young adults rarely died, and women—chiefly responsible for agricultural work—survived better than men. Women knew what wild grains, roots, and berries could be eaten during famine. Families scattered their members over a wide area and called on distant relations for help when times got hard.

But now, the AIDS scourge threatens to undermine even that level of adaptation. AIDS attacks exactly those capacities

that enable people to resist famine. AIDS kills young adults, especially women—in other words, the agricultural workers on whom all depend. When the rains come, people must work 16 hours a day planting and weeding the crop. If that critical period is missed, the family will go hungry. In a community depleted by AIDS, each adult still able to work must produce more to feed the same number of mouths, including, of course, the sick adults.

Meanwhile, the burden of caring for the sick has increased in rural Africa. In the cities and towns, many employers—private and public—have withdrawn benefits. Town dwellers who fall sick go home to their villages to pass their final months. Orphaned town children are sent to the villages to be cared for. The extended families cannot cope with the increased burden.

The drop in adult life expectancy is having other serious consequences. Normally, assets like land and cattle are accumulated and handed down by the older generation. Grandparents assist with child care. Older women pass on their productive skills to their daughters. But now, young people are inheriting debts; they have no one to help with child care, and the deaths of the older generations mean they are not learning essential skills. How can one even make plans on the assumption that things will return to normal some day?

In former famines, relief workers, recognizing the physiological resilience of adults, ignored adults' nutritional needs and focussed on children [who will otherwise suffer mental retardation and physical stunting, if they don't actually die]. But an adult living with HIV needs better nutrition—more calories and especially more protein—to stay healthy. Malnutrition accelerates the progression of AIDS.

As their livelihoods, family networks, and coping strategies collapse, millions of young women are turning to "survival sex"—forms of prostitution—to feed their children, with devastating consequences for HIV transmission.

Alex de Waal, whose organization, Justice Africa, is based in London, calls for food assistance and scaled-up anti-retroviral treatment, adding that, above all, the world must act to restore a sense of the future to a generation facing an appalling crisis, to help unlock their energies in search of solutions.

De Waal is also a human rights activist and an adviser to the UN Economic Commission for Africa and UNICEF.

UNITED STATES NEWS DIGEST

Secret Directive Authorizes Preemptive Strikes and Nuclear Bombings of Non-Nuclear Countries

Despite their having been forced to forego war on Iraq, at least for the time being, the hawks in the Bush Administration have not been idle. According to the Dec. 11 *Washington Post*, the White House has released a nonclassified paper which says that the U.S. will "respond with overwhelming force," including "all options," to the use of biological, chemical, radiological, or nuclear weapons against this nation, its troops, or its allies. A senior official told the *Post* that those options include nuclear weapons, and that the statement was intended to have the same effect on Iraq, as did a letter written before the U.S.-led coalition invaded Iraq in 1991: The letter was sent by then-Secretary of State James Baker to Saddam Hussein, and the Iraqis understood the U.S. to be threatening them with a nuclear strike, if they used weapons of mass destruction against U.S. troops.

The secret version of the new document, which is identified simultaneously as National Security Presidential Directive (NSPD) 17, and as Homeland Security Presidential Directive 4, also authorizes preemptive strikes against states and terrorist groups that are close to acquiring weapons of mass destruction, or acquiring the long-range missiles capable of delivering them.

A "top-secret appendix" lists Iran, Syria, North Korea, and Libya as among the targetted countries.

In January of this year, retired Russian General Leonid Ivashov detailed what he said was a new U.S. nuclear doctrine which contemplated use of nuclear weapons against non-nuclear developing countries, and the development of new generations of small nuclear weapons for that purpose. Ivashov linked the new doctrine with the population policies *EIR* had pointed to in Kissinger's NSSM 200 of 1973.

On Feb 22, 2002, the Moonie *Washington Times* ran an interview with chickenhawk Undersecretary of State John Bolton, in which he said that U.S. policy had changed to permit use of nuclear weapons against non-nuclear powers, but this was denied by State Department spokesman Richard Boucher that same day. Yet it later turned out that it was true. And since then, although never specifically avowing it, Secretary of Defense Donald Rumsfeld has not denied it, either.

And as we have documented earlier, the "preventive war" policy of the September 2002 Bush "National Security Doctrine," was first drafted for then-Secretary of Defense Dick Cheney in 1990, by present Undersecretary of Defense Paul Wolfowitz, and I. Lewis Libby, now Cheney's Chief of Staff.

Secret Directive Provokes Uproar Internationally

The news of NSPD 17 was featured everywhere in the European press, with alarm. It is generally understood as a warning to Iraq. For example, the London *Times* headlined its article, "U.S. Ready To Use Nuclear Weapons on Iraq." (In characteristically blunt American fashion, the *New York Post* headlined its tabloid: "Bush to Iraq: We'll Nuke You.")

The part of the document which authorizes "preemptive strikes against states and terrorist groups that are close to acquiring weapons of mass destruction, or acquiring long-range missiles capable of delivering them," was followed up by a front-page story in the Dec. 12 *Washington Post*, claiming the Bush Administration has found a "credible report" that an "al-Qaeda"-affiliated group "took possession of a chemical weapon in Iraq last month or in late October"—although the White House subsequently denied that story.

At the same time, German-language wires reported that fighting had taken place in northern Iraq, between the Kurdish PUK and elements of Ansar al Islam, a group said to be linked to al-Qaeda. Fifty reportedly were killed on both sides. These reports, which obviously require confirmation, aim at corroborating the claims made by Rumsfeld, Bush, and others that al Qaeda-linked groups are operating inside Iraq, and that they have weapons of mass destruction.

Rumsfeld Tells CNN He's Certain Iraq Has WMD

"It is clear that the Iraqis have weapons of mass destruction," Secretary of Defense Donald Rumsfeld told CNN recently, while in Doha. "The issue is whether or not the Iraqi government has made the decision that the game is up and ... will comply with the United Nations resolution, and it will disclose what it has and participate in a process with the UN monitoring inspections to disarm itself of those capabilities."

Asked how close war was, Rumsfeld said, "That's not knowable, really."

Significantly, Rumsfeld stressed the importance of getting Iraqi scientists and others out of the country, making them defectors, and milking them for "intelligence." He said that so far none had been taken out of the country, and that whether or not the Iraqis would allow it, would "be an indicator of cooperation or lack of cooperation." Rumsfeld said that most of what had been found out in the past about WMD, had "been provided to inspectors, not by a discovery process on the

ground, but by defectors, people who got out of the country and knew where the weapons were, knew what the capabilities were, knew where the documentation was."

Bush Makes Clear He Wants No Iraq War in Near Future

For full report on contents of President Bush's interview with Barbara Walters last week, see [MIDEAST DIGEST](#).

Hawks in Administration Panicked That Bush Isn't Going to War

The hawks in the Bush Administration are panicked that President Bush isn't going to war soon, says Michael McFaul of the Carnegie Endowment for International Peace, quoted in the Dec. 8 *New York Times*. "They are nervous he will not pull the trigger.... They thought they were in the driver's seat," and "now they are panicked" because Bush went to the UN, and now they are afraid that he will balk at writing new unilateral rules of the international game.

Fritz Ermarth, former head of the National Intelligence Council under the first President Bush, when asked to assess the odds of war breaking out, says, "By a hair, I would bet that things get dragged out," adding that there is always the winter after next.

War Buildup Propaganda in the *New York Times*

In what appears to be a straight Pentagon printout, the Dec. 8 *New York Times* presented a detailed report on the U.S. military buildup in the Persian Gulf, frankly acknowledging that the buildup (and the leaks about it) are "intended to put increasing pressure on the Iraqi government to disarm, and perhaps persuade Mr. Hussein's generals to defect or rebel against him."

However, the *Times* did admit that "For now any talk of war is muted," while the Administration is preparing to examine Iraq's declaration on its weapons of mass destruction, and reported that this process and the ensuing discussions, inspections, and a possible new UN resolution, could delay any attack for weeks or months.

The Pentagon sources say that the U.S. will have enough troops, tanks, warships, bombs and aircraft in the Gulf region to begin an attack some time in January. Some 60,000 troops, and about 200 warplanes, are in or near the region. By late this week, four aircraft carriers will be in position; special operations forces in the region are planning covert missions, including hunting for Scud missiles and clandestine WMD.

It is also said that the Pentagon is prepared to mobilize up to 265,000 National Guard and reservists.

Neoconservatives Lead the Charge To Oust Lott

According to the *Washington Post* of Dec. 16, the second in command in the Republican Party in the Senate, Oklahoma Senator Don Nickles, is seeking to oust Trent Lott (R-Miss), who otherwise would become Senate Majority Leader with the opening of the new, Republican-dominated Congress.

Most Republicans and neoconservatives reportedly think Lott's most recent apology (for remarks apparently endorsing segregation made at Strom Thurmond's 100th birthday party)—that most recent "mea culpa" having been offered at Lott's pathetic Dec. 13 press conference—was grossly inadequate, and that Lott's continued presence as leader of the GOP in the Senate, will derail the party's agenda.

On Dec. 14, the *New York Post* published a scathing editorial calling on Lott to step down as Majority Leader, under the straightforward headline, "Lott Must Go." Noting that Lott has made his public apologies four times by then, the *Post* editorialists asked, "Could it be that it took Lott so long because he's never been forced to truly confront the horror of the Jim Crow laws of his youth? Could it be, in other words, that in his heart of hearts, he actually *believes* what he said? As the eloquent and insightful columnist Charles Krauthammer has suggested, it is as if Lott slept through the second half of the 20th century."

The *Washington Post* of Dec. 14 reported that among those most gung-ho for Lott's ouster have been the *National Review* of William F. Buckley, such noted neo-con pundits as William Kristol and Krauthammer, and Conrad Black's Hollinger Corp. adviser George Will.

Lott's fellow Senate Republicans were reportedly unimpressed with his Dec. 13 performance. Shortly after his press conference in Mississippi ended, 20 GOP Senators—minus Lott himself—held a conference call, organized by Larry Craig (Idaho). The content of the discussion was not reported. Among the names being floated as possible replacements for Lott as Majority Leader, are Sen. Bill Frist (R-Tenn), a close personal friend and political confidant of President Bush; Sen. Rick Santorum (R-Penna), and Sen. Nickles.

Probably most devastating to Lott's fortunes were President Bush's remarks Dec. 12 in Philadelphia, when he sharply criticized Lott before a mostly black audience, saying that "recent comments by Senator Lott do not reflect the spirit of our country.... Every day our nation was segregated was a day that American was unfaithful to our founding ideals. And the founding ideals of our nation, and, in fact, the founding ideals of the political party I represent, were, and remain today, the equal dignity and equal rights of every American."

Gore Decides To Opt Out of Second Presidential Run

Al Gore made his long-awaited announcement on *CBS-TV's* "60 Minutes" program Sunday, saying he will not run for President in 2004. The announcement surprised many, though one senior Republican official commented that this way Gore can remain the man who "should have been President" (a reference to the razor-thin 2000 election between Gore and President Bush), rather than having to go up against Bush again in 2004.

Gore's associates and friends comment that Gore hadn't cultivated contributors and political leaders, and was wondering whether another Democrat might be a stronger challenger. His announcement opens the floodgates to Democratic hopefuls: Joe Lieberman, Tom Daschle, Dick Gephardt, John Kerry, John Edwards, Howard Dean, Al Sharpton, and others are jostling for position.

Donna Brazile, Gore's campaign manager in 2000, was recently hyped by conservative columnist George Will as a key factor in shaping the 2004 Presidential campaign; she says she hasn't talked to Gore in months, and boasts that she is talking to Rep. Dick Gephardt (Mo) and Moon-linked utopian Sen. Joe Lieberman (Conn).

Rees-Mogg's U.S. Alter Ego Is Hysterical at LaRouche Impact on 'Lula'

In another echo of hysteria over the growing international political clout of Lyndon LaRouche, another Rupert Murdoch mouthpiece has penned a wild slander, accusing LaRouche of hijacking the economic and monetary policy of the new Brazilian government of Luiz Inacio "Lula" da Silva, and worrying that LaRouche's appeal may become irresistible to American voters, as the economic crash accelerates. We have recently received the text of an undated "Vantage Point" editorial by James Dale Davidson, the American business partner and alter ego of the London *Times'* Lord William Rees-

Mogg. Rees-Mogg is a longtime LaRouche-watcher, and he has also carved out a profile as the Establishment economist who sees the crash coming, and tells his subscribers and clientele how to make money "when there is blood in the streets."

The Davidson editorial was written and circulated sometime between the Oct. 27 Brazilian elections and the Nov. 5 U.S. mid-term elections. The excerpts below speak for themselves:

"For a hint of how frightening election results can be, take a look at Brazil, where Luiz Inacio 'Lula' da Silva swept to a landslide victory on Oct. 27. Lula, as he is known, is a former metal worker who had previously run for President of Brazil three times and been soundly defeated. But his left-wing Worker's Party won over 61% of the vote in the recent election, triggering fears that Lula will implement the ideas he has espoused during his political career. Most worrisome is Lula's identification with anti-free market and anti-globalization policies of American fringe figure and convicted felon Lyndon LaRouche. A cursory Google [Internet] search revealed page after page of links to stories associating Lula with Lyndon LaRouche. A German story even speculated that Lula would appoint Lyndon LaRouche as his new Finance Minister. This is unlikely. But the fact that LaRouche's anti-market, anti-trade and anti-investor tirades are given any hearing or credibility by the leader of the world's fourth largest democracy shows that any country could be no more than a show of hands away from raving lunacy at the helm."

Davidson went into an ADL-style smear of LaRouche, then resumed the rug-chewing: "It is as yet unclear how many of LaRouche's views Lula shares, or how deeply he is committed to pursuing them. But the specter of havoc that hangs over Brazil is only a more extreme manifestation of the logic of politics as encompassed by Mencken. 'The advance auction of stolen goods' was too tempting for millions of impoverished Brazilians to resist. The income distribution in Brazil, while one of the most lopsided in the world, has substantially narrowed in the past 40 years. By contrast, the U.S. income distribution is one of the more lopsided among the advanced economies, by some measures, almost as lopsided as that in Brazil. It has substantially widened in the past 40 years. The United States is becoming even more vulnerable to demagogic appeals to 'soak the rich' for this very reason. But this doesn't mean that the Democrats, much less Lyndon LaRouche, are necessarily going to gain an immediate purchase with their pandering to economic insecurity."

Obviously, the London *Times* Thatcherite/neo-cons are beginning to worry that LaRouche, in the United States, could repeat the Lula experience of turning a string of past electoral defeats into a stunning upset victory.

LaRouche himself commented that he was "astonished" by the reported results of the Google search, showing LaRouche's purported ties to Brazilian President-elect "Lula" da Silva. LaRouche commented that he didn't realize he was an adviser to Lula, as Davidson asserted and fretted about.

It should be kept in mind, LaRouche added, that these people like the London *Times*' Rees-Mogg and Davidson tend towards insanity, and although they are well informed, their views are often distorted and crazy. One has to make allowances for this consideration, LaRouche explained; they may not be drinking just tea.

IBERO-AMERICAN NEWS DIGEST

Military Nationalists Urge Lula: Follow FDR Model

Under the headline "The Crossroads of Lula's Government," the December issue of *Ombro a Ombro*, the respected monthly magazine of the retired Brazilian military, starkly describes Brazil's current crisis, for which it blames President Fernando Henrique Cardoso, and his obedience to foreign-policy dictates. Cardoso has done everything the Inter-American Dialogue demanded, and now he will return as their co-president, they wrote. His government's trademark has been "disdain for Brazil's sovereign nation-state, [and an approach] oriented fundamentally for the interests of financial, and

especially foreign, investors."

President-elect Lula da Silva, as he assumes the Presidency, is faced with a ticking time bomb: The majority of those who voted for him are expecting immediate changes; on top of that, the threat of hyperinflation looms large. So far, Lula's transition team has suggested that immediate short-term change is impossible—a worrisome tendency, given the gravity of the "scorched earth" situation over which it will have to govern as of Jan. 1, *Ombro a Ombro* warns.

Lula and members of his team have, more than once, positively referred to the "great American President Franklin Roosevelt and his policies of economic reconstruction," as a model that could bring about a similar economic recovery in Brazil. "There could not be a better inspiration," *Ombro a Ombro* writes. Just as Roosevelt did in his March 1933 first inaugural speech, the new Brazilian government must "tell the truth" to the country about the real situation the nation faces, and take responsibility for it.

More than rhetoric will be needed, *Ombro* writes: "Like Roosevelt, it is necessary to have the courage to confront the established powers, and rule for the nation's great majority, for which [approach], certainly, there will be no lack of support." Should Lula fail to immediately repudiate the economic-financial model that has destroyed Brazil, "he will be responsible for the potentially tragic consequences of refusing to change direction, for fear of offending the so-called agents of the market. Were this to occur, the positive expectations awakened by Lula's election could disappear rapidly, transforming him into a huge national deception, whose outcome would be unforeseeable."

Brazil's President-elect Visits Washington

President George Bush has suggested that Brazil and the United States hold a governmental summit some time in the first half of 2003 to discuss bilateral matters, and debate ideas about the preservation of democracy in Ibero-America, security, and economic development, Brazilian President-elect Luiz Inacio "Lula" da Silva announced following his meeting with President Bush on Dec. 10. Lula, for his part, invited Bush to visit Brazil.

The two held a "frank and direct dialogue," the Brazilian President-elect said.

Lula's visit to Washington was for one day only, and it included a well-attended presentation at the National Press Club. The crowd greeted him with a standing ovation and applauded at various points during a speech which was optimistic in tone, although measured, intended to reassure foreign investors and creditors that, as President, he would do nothing to offend them. He vowed that his government will emphasize fiscal responsibility and respect all contractual agreements—i.e., debt payments. However, he cautioned, "We also need a constructive attitude" from the international financial community.

He opened the door to Brazil's participation in the Free Trade Area of the Americas (FTAA), while pressing for "real" free-trade, under which the U.S. would also lift all its tariff barriers to Brazilian goods, and promising that he would be very "tough" in defending Brazil's interests and sovereignty. He reiterated, however, that Brazil will also "seek new trade partners among countries with a size and potential similar to ours—as is the case with China, India, and Russia." And, he emphasized that his government must end hunger, poverty, and unemployment in Brazil, and forge Ibero-American integration. "I have no doubt whatsoever that this government can change the path of history," he said, "and this is what I intend to do."

Lula got a laugh from the crowd at the National Press Club when he answered a hostile question which echoed the line of the Hudson Institute's Moonie lunatic, Constantine Menges, that Lula's and the Workers' Party's "alliances" with "communist parties in the region, and in other parts of the world," form a new threat. Asked "why has your political party

established a partnership with the Communist Party of China?" Lula responded, to laughter and applause: "I didn't know China that well until the United States made China a preferential trade partner. And I thought to myself, if it's good for the Americans, it's going to be good for the Brazilians." Brazil and China will work closely together, he added, "because China is an important partner for our trade objectives."

In response to a question about Venezuela, Lula said he wanted that crisis to be resolved peacefully, adding that he had discussed this with President Bush. As President, Lula said, "I will do all in my power to contribute in such a way that Venezuela will find a way that is not violent."

Lula Hands Central Bank Over to Bank of Boston Interests

Brazil's President-elect Lula da Silva announced his nomination for Central Bank president on Dec. 11: Henrique Meirelles, a Harvard-trained banker, the bulk of whose career has been with the old "Dope, Inc." bank, Bank of Boston. Meirelles led BankBoston's operations in Brazil for 12 years, before moving to Boston to take up the post of president and chief operating officer of the parent company in 1996. BankBoston was later bought out by Fleet Financial (i.e., Meirelles's bank was bankrupt), at which point Meirelles became head of global and wholesale banking for the new firm, FleetBoston, which is now distinguished as the eighth-largest derivatives bank in the United States, with about a half-trillion dollars in worthless derivatives holdings. Meirelles resigned from FleetBoston last August, so he could run for Congress on President Fernando Henrique Cardoso's ticket, the PSDB party.

The Central Bank nomination followed Lula's announcement of his first two Cabinet posts during his Dec. 10 visit to Washington, D.C. Named as Treasury Minister was Antonio Palocci, who went to meet with Wall Street and Federal Reserve bigwigs the next day, with Meirelles in tow. Palocci, a medical doctor who claims to have taught himself economics by studying university texts at night, could be described as a representative of "monetarist Trotskyism." He joined the Workers Party's (PT) Trotskyite "Freedom and Struggle" wing as a student leader, but became the strategist of Lula's "move to the center" during the campaign, handling contacts with "the markets." The latter liked the fact that, as PT Mayor of Ribeiro Preto, he privatized the public services.

The new Environment Minister is Workers Party Sen. Marina Silva, a hard-core "Green Mafia" agent, who adamantly contested *EIR* correspondent Lorenzo Carrasco's testimony when the latter spoke before a Federal Senate committee in May 2001.

CFR Man Warns Brazil Could Spin Out of Control This Month

Interviewed by *Bloomberg* news service on Dec. 6, the chief of the Latin American program at the Council on Foreign Relations, Kenneth Maxwell, warned that everyone must be very careful what they say right now, because the situation in Brazil before the scheduled Jan. 1 inauguration is so "delicate," that the wrong words could have "great impact." Maxwell made clear he is concerned about getting through the month of December.

The outgoing government is virtually gone already, he worried, and the makeup of the new government isn't known. There's a sense that there's no guiding hand running things in Brasilia, in the midst of a situation of "great fragility." If there were to be a major speculative attack on the Brazil's currency, driving the real to above 4 or 4.5 to the dollar, then Brazil would be unable to service its debts. Maxwell singled out the private-sector debt as especially vulnerable, under those circumstances.

Brazil Official News Agency Carries LaRouche Release on Eneas

Brazil's official news agency, *Agencia Brasileira de Noticias (ABN)* carried a wire story Dec. 10 with Lyndon LaRouche's Dec. 5 statement on why Brazilian Congressman-elect Dr. Eneas Carneiro was under attack. In the statement, LaRouche, noting that Dr. Eneas is a personal friend, dismissed the spurious attacks on him as not credible. The attacks are an attempt by "corrupt, foreign forces to control the administration of incoming Brazilian President Lula," LaRouche charged. "The reality is that the present world financial system is hopelessly disintegrating. This is not a Brazilian economic crisis; it is a crisis of the entire global system. So, those desperadoes who are trying to preserve the existing system are losers: Their system can not be saved, no matter how desperate and hysterical their efforts to do so. We have here the case of the desperately hungry trying to feast on the inedible."

Contacts in the interior of Brazil reported that some local papers published the *ABN* wire. (See LATEST FROM LAROCHE in *EIW* 40, for the complete text of release.)

FARC Car Bombs Proliferate; Uribe Hits Back Hard

Since the car bombing of the main police headquarters in Bogota, Colombia Dec. 9 by the narcoterrorist FARC, which wounded 69 (among them, seven children and a pregnant woman), the Uribe government has ordered at least 50 raids in that city. The result: five more car-bombs in preparation were discovered and dismantled, one of which was already packed with one and one-half tons of explosive. A plot to assassinate President Uribe was simultaneously thwarted with good intelligence work, and a planned hotel conference in the city of Medellin was moved at the last minute to the army barracks in that city.

WESTERN EUROPEAN NEWS DIGEST

Polish Leader's Remarks Reflect Intense Debate on Eurasian Land-Bridge

Attending an event arranged by the German Industry Association (BDI) in Berlin Dec. 14, in the context of his talks with German government officials, Poland's Transport Minister and Vice Premier Marek Pol gave a speech stressing the importance of accelerating, and increasing funding for, the modernization of transport infrastructure in Poland. Raising railway, highway, seaport, and inland-shipping infrastructure to modern standards is important for the Polish economy, as it prepares to enter the European Union in May 2004, Pol said.

The last time Poland had a major upgrade of its national infrastructure was in the 1960s and 1970s; that infrastructure is now in urgent need of reconstruction. The upgrade is also important for the rest of Europe, as Poland and Germany are the essential transit countries for everything that travels between Europe and Asia, he said, and the opportunity to link and develop all the economies along this route, is offered now by the project to upgrade the Trans-Siberian Railroad and establish the Trans-Korean Railroad.

More must be done, more money must be invested, Pol said, and more money must come from sources outside the restricted national budgets of the states involved—although Warsaw is doing an immense amount by allocating 3 billion euros for the next three years, from its budget.

Pol (who is also Housing Minister) insisted that, along with the infrastructure development, it was necessary to launch a policy of home-building and developing the urban housing.

EIR presented Pol with Lyndon LaRouche's idea of long-term infrastructure loans based on the Kreditanstalt fuer Wiederaufbau model; Pol responded at some length on topics such as connecting the wide Russian railway gauge with the narrower European one in Slawkow, southern Poland. Pol also said that, just a week earlier, he had spoken in Moscow

with Russian Railway Minister Gennady Fadeyev, during which a Polish proposal to have an international conference boosting discussion and decision-making on infrastructure development, received Russian support. The proposal, Pol said, is to hold a conference of Transport Ministers from Poland, Russia, Ukraine, the Czech Republic, China, Japan, the Koreas, and Germany, and possibly including ministers from Central Asia, and West and East European countries. Warsaw would host the conference sometime next February.

On the infrastructure lending idea, Pol said that his country had tried, through investment and pension funds, to raise extra money for projects, with only very limited success. They had tried to talk to the European Investment Bank (the European Union house bank) and gotten some money. But to develop the infrastructure, much more money is required, and discussion has started in Poland on whether some kind of state-guaranteed lending would improve the situation. (Earlier, during his presentation, Pol had also said that many things in the East would simply not work without the state, and so the EU leadership in Brussels would have to rethink its usual approach.)

European Commission 'Does Not Intend To Convoke' a New Bretton Woods Conference

The European Commission "does not intend to convoke" a New Bretton Woods Conference, declared EU Commissioner Pedro Solbes in a written answer to an interrogation earlier filed by Euro Parliamentarian Cristiana Muscardini.

The concept of a New Bretton Woods was developed and has been put forward by American economist and Presidential pre-candidate Lyndon LaRouche.

On the basis of the resolution favoring a New Bretton Woods conference adopted by the Italian Chamber of Deputies, Muscardini had asked whether the European Commission would adopt the same resolution and take initiatives to organize a New Bretton Woods conference. The answer from Solbes reads:

"The Commission does not intend to convoke an international conference to remedy the consequences of the speculative bubble." In a malicious twist, Solbes added that the Commission also "does not intend to adopt initiatives aimed at directly stabilize investors' wealth," slanderously implying that this was the concept informing Muscardini's request. Also, referring to the data on the global speculative bubble cited by Muscardini, taken from the Italian resolution, Solbes wrote that "The Commission cannot directly confirm the data mentioned in the written interrogation."

European Union Admits 10 New Members

The European Union Copenhagen summit has admitted 10 new members to the EU, bringing to 25 the number of nations that are members, vastly expanding the EU's land area, and its population into a "Mega-Europe" with an economy roughly the size of the United States' economy. According to some observers, the admission of Eastern European countries like Poland and the Czech Republic, will give the EU a more pro-American tilt in foreign policy.

Meanwhile, the European Commission has been drawing up a draft European constitution, codenamed Penelope; released just before the Copenhagen summit, which reviews ways in which countries might get kicked out of the EU. The Penelope draft asserts that Europe must "exercise the responsibilities of a world power," meaning a single foreign policy achieved by majority vote, and a mutual defense guarantee; and a "European model of society"—that is, more social policy controlled from Brussels. EU planners, led by Valéry Giscard d'Estaing, the former French President who is chairing the constitutional convention, suggest that any country that fails to ratify the new European constitution (Ireland and Denmark are considered likely) should agree to leave the EU club.

The London *Economist* of Dec. 14-20 wonders whether this will have the effect of pushing rich countries out, even as the

EU incorporates the poor countries of Eastern Europe—and what that effect, in turn, will be.

Bush Call for German Soldiers Puts More Pressure on Schroeder

"Bush Calls for German Soldiers" was the banner headline in the Sunday edition of the *Frankfurter Allgemeine Zeitung* (FAZ) Dec. 8. The article reported that, "according to information from the German government to this newspaper," during a meeting at NATO headquarters in Brussels Dec. 4, U.S. Deputy Secretary of Defense Paul Wolfowitz asked for NATO planes with allied and German soldiers, as well as further "joint capabilities" to be made available, in the event of war against Iraq.

The planes in question are AWACS, stationed in Germany and manned by joint teams, of which one-third are Germans. They could be used, according to the *FAZ* report, for air surveillance in defense of Turkey, or offensively. It is mooted that American, British, and French aircraft would be used offensively, and German aircraft would not, but the *FAZ* cites unnamed sources from NATO and the German Defense Ministry to the effect that it would mean "Germany would play more than a passive role."

The *FAZ* stresses that such a demand from the U.S. (if confirmed), would place new, serious pressures on German Chancellor Gerhard Schroeder, who was barely reelected in September—on an program of opposing any war on Iraq—and whose popularity has since plummeted far below that of his Christian Democratic election rivals, as a result of the German economic devolution.

Meantime, with the election of new party leadership in the Green Party, which is the coalition partner of Schroeder's Social Democratic Party, the heat has been turned up on the Chancellor. Although since the election, Schroeder has been trying to mollify the United States for what the U.S. perceives as having been an anti-American election campaign—and one of Schroeder's attempts to put balm on the wound has been his assurance to Washington that the U.S. could use its military bases in Germany and German airspace, in the event of war on Iraq—the new Green leadership has announced it will act to block U.S. use of the bases and airspace.

Schroeder cannot rule without the Greens in his coalition, so speculation is mounting that this "Red-Green coalition" may collapse, to be replaced by a "grand coalition" of the Social Democrats and the rival Christian Democrats.

New German Green Party Leader: U.S. Use of Military Facilities in Iraq War Unconstitutional

At the Dec. 7-8 weekend Green Party convention in Hanover, longtime Green Party defense policy spokeswoman Angelika Beer was elected a party leader, with former party manager Reinhard Buetikofer.

After her election, Beer said she stuck to her 1998 "yes" to NATO military intervention in Kosovo, but Iraq was a different case, as any U.S. military strike without UN mandate would be an unprovoked war of aggression, she charged.

In several interviews in the intervening week, Beer has reiterated as well that Article 26 of the German Constitution bans Germany from any role in wars of aggression, so that the government has no right to grant the U.S. overflight rights, the use of bases, or the deployment of AWACS reconnaissance aircraft with Germans in their crews, in an Iraq-centered theater of war.

Her remarks were echoed by the Social Democrat defense policy spokesman Gernot Erler, who said in an *SWR* radio interview on Dec. 9, that with the AWACS aircraft deployed against Iraq, Germany would cross the red line drawn by the German Constitution.

Finally, Chancellor Schroeder, under massive pressure, said Dec. 12 on *ARD-TV* that the German military can form part of the AWACS crews even in wartime. Schroeder said, "The duties of the alliance will be fulfilled, but Germany will not take part in a military intervention." He added that German military personnel could be deployed to protect the area of the NATO alliance (which includes Turkey). "They would be deployed in the alliance area." Regarding the position of Green Party leader Angelika Beer that this would be unconstitutional, Schroeder said, "Mrs. Beer will not have to decide that," adding that he had consulted with German Foreign Minister (and Green Party leader) Joschka Fischer on the matter.

Berlin Aspen Director: Germans Not a Military Partner

The director of the Aspen Institute in Berlin says that the Germans are living on another planet, and can no longer be considered a military partner.

In yet another prominent move of psychological warfare against beleaguered the German government, Jeffrey Gedmin took to the pages of the *Leipziger Volkszeitung* Dec. 10 to write of Germany as a military partner: "The only thing coming from the German side: keep waiting and drinking tea. This is not a strategy."

In particular, the anti-war resolutions passed by the Greens at their party convention were alienating, he charged. In many questions of strategy, the Germans are living "on a totally different planet," Gedmin wrote, adding that he expects a change of relations between Washington, D.C. and Berlin: "I could imagine that the Americans would no longer consult the Germans on strategic problems. They recognize: The Germans no longer want to do it, or can do it. As far as economic and cultural affairs are concerned, the Germans are partners, but in military affairs, they're not."

Blair Says No Need for Second UN Resolution on Iraq

British Prime Minister Tony Blair told the *Financial Times* of London that there is no need for a second United Nations resolution authorizing military action if Iraq breaches its obligations to surrender weapons of mass destruction.

Blair claimed that it would be "naive" to think that Saddam Hussein would fully comply with UN demands. He said the "implication" of the UN resolution on Iraq is that "if there is a breach and Saddam doesn't comply, then we are prepared to take actions." He said that he and President George W. Bush wanted to build up the maximum international support for military action and did not rule out a second resolution. But, he added, "I believe that at the heart of that UN resolution is really a deal, let's be frank about it." He said there was a quid pro quo; that if Saddam did the wrong thing, "we are not going to walk away from it."

Russia and Central Asia News Digest

Primakov Speaks on Progress of Russia-India-China Triangle

Interviewed on Russian television Dec. 7, former Russian Prime Minister Yevgeni Primakov noted the progress made towards the "strategic triangle" concept for relations among China, India, and Russia during President Vladimir Putin's Dec. 1-5 visits to Beijing and New Delhi. Asked if Putin's trip had helped advance the idea of a triangle, which Primakov had proposed in December 1998 in New Delhi, Primakov answered "Yes!" This is not a military or political bloc, Primakov said. "It is a geometric figure where ties between the poles should be strengthened."

He said that the political declarations signed by Putin in China and India reflect the close identity of views among the three

countries on a range of international issues, including terrorism, Iraq, West Asia, the United Nations, non-proliferation, and regional security. Especially the shared interest in maintaining security and stability in Central Asia and Afghanistan, could promote this idea of the Moscow-Beijing-Delhi triangle. "When applied to the region, the triangle will no doubt work as a factor of stability," Primakov said.

Putin's proposal to cooperate on the situation in Central Asia "met with a ready response in Beijing and in New Delhi," the Indian newspaper *The Hindu* reported on Dec. 7. The continuing turmoil in Afghanistan is of special concern. Before Putin left Moscow on Dec. 1, a senior Russian diplomat had warned about a possible return of the Taliban to power in Afghanistan. The basis for cooperative action on Central Asia would be created when India joins the Shanghai Cooperation Organization (SCO), in which New Delhi has indicated strong interest.

Arab League Secretary General Holds Talks in Moscow

Amr Moussa, Secretary General of the Arab League, and Russian Foreign Minister Igor Ivanov see eye to eye on major international questions, according to a statement from the Russian Foreign Ministry. Ivanov characterized his Dec. 10 talks with Moussa in Moscow as "very substantive, interesting, useful, and frank," and praised Moussa as "a big friend of Russia," since his tenure as Egyptian Foreign Minister. He said that Russia and the Arab League enjoy "very intensive and constructive consultations ... on key international and regional problems," and that he hoped the "sphere of interaction" could be expanded to include cooperation in trade, economics, humanitarian matters, etc. He announced they had set up a working group to draft proposals.

"Naturally," he went on, "we gave much attention to examining the situation around Iraq." They agreed to continue advocating a "peaceful, political solution," including full implementation of UN Security Council Resolution 1441, pertaining to Iraq. Ivanov stated: "We proceed from the assumption that compliance with this resolution must open the way to lifting the sanctions imposed on Iraq." In answer to a question regarding what would ensue if it became clear that Iraq did not possess weapons of mass destruction, Ivanov reiterated: "When the Security Council adopted Resolution 1441, Russia's representatives in the UN Security Council made it very clear that the implementation of this resolution connected with the disarmament file would pave the way to the lifting of sanctions on Iraq." He added that Russia had "insisted the inspectors resume their work as soon as possible because only their work and only their conclusions may provide the basis for raising the question of lifting the sanctions on Iraq." This is important, because one reason that Iraq agreed to the UN inspectors' return, was that it had negotiated with Russia the understanding that this should lead to lifting the sanctions.

Ivanov made another important point in reference to the competencies in the UN regarding Iraq. In answer to a question about the United States's having taken possession of the Iraqi report first, reproduced it, and circulated it to the other members of the Security Council Permanent Five (Russia, China, Great Britain, and France, rather than allow Hans Blix and his weapons inspectors' team to review the document first), he said: "The report was prepared by the Iraqi side in accordance with Resolution 1441 and it was presented to the Security Council on time. The report will be studied by UNMOVIC and IAEA experts, who will present their assessments to the Security Council. I repeat, it is precisely UNMOVIC and the IAEA that should present their assessments and conclusions after studying the report and its appropriate sections. At the same time, an understanding and agreement have been reached in the UN Security Council to make copies of the report and hand them out to the permanent members of the UN Security Council to study certain questions that have a confidential nature. However, this does not in any way throw into doubt the competence of UNMOVIC or the IAEA, and only their assessments will be considered by the UN Security Council."

The other item discussed was the Palestinian-Israeli conflict. Here, Ivanov stressed that the "Quartet" (Russia, the U.S., the UN, and the European Union) who should push through the "road map" for peace.

Russian Presidential Spokesman Voices 'Calm Disapproval' of NATO Expansion

An international conference on Russia-NATO relations was held at the Metropol Hotel in Moscow Dec. 6. Sergei Yastrzhembsky, foreign policy adviser to President Vladimir Putin, told the meeting that Moscow's reaction to the NATO expansion summit in Prague could best be described as "calmly negative." He added that Russia has "never concealed and does not conceal our negative attitude toward the expansion model of European security, as it is presented by NATO." Especially after the attacks of Sept. 11, 2001 in the United States, he added, "I believe practically all international institutions created during the Cold War period happened to be unprepared to deal with the rapidly changing situation."

Manufacturing Slows in Russia

New data from the Russian manufacturing sector confirm the Academy of Sciences' announcement of a halt in Russian industrial growth (see [Dec. 9 RUSSIA/EURASIA DIGEST](#)), the *Moscow Times* reported Dec. 3. The Manufacturing Purchasing Managers' Index of 300 manufacturers, published by Moscow Narodny Bank, fell in November for the first time since 1998. MNB cited fewer orders, rising costs, and a lack of working capital. Layoffs rose for the third month in a row.

Mont Pelerin Society Devotee Mau Heads Russian National Economy Academy

Despite the devastation of Russian science, manufacturing, and labor power at the hands of radical liberal economists and the imposition of their policies during the 1990s, some of the most extreme among them continue to promote their poison in Russian government circles. An example is Vladimir Mau, collaborator of Mont Pelerin society activist Lord Harris of High Cross and his fellow Hayekians at London's Institute of Economic Affairs; in November Mau secured an appointment as rector of the National Economy Academy under the Government of the Russian Federation, succeeding Academician Aganbegyan, who retires. At a press conference on Nov. 25, Mau made a special point of denouncing state investment programs, any "broadening of state investment in the economy, whatever the goals presented to justify [it]," as "dangerous." Mau's explanation of this "danger" reflects the utter inability of free-market ideologues in the East, as in the West, to think at all, under conditions of world economic crisis.

Mau's argument against state investment policies was that it is not presently possible either to forecast economic developments, or to form any efficient concept of how they will unfold. "We are in an area of low ability to forecast real priorities and real trends of economic development," said Mau. "We have—objectively by virtue of the extreme dynamism of the economy—no ability to say what will be our worldwide and national priorities. The concentration of resources must yield to maximum stimulation of the adaptive efforts of private investors...."

Mau previously headed the Institute for the Economy in Transition, a Moscow outpost of Harris' IEA, where he succeeded Yegor Gaidar. The IEA project produced most of the first generation of destructive reformers, grouped in Gaidar's cabinet in 1992, who looted Russia after the break-up of the Soviet Union.

On Dec. 2, former Minister of Economics Yevgeni Yasin presented a proposal for what he called a "liberal alternative" for the country's economic policy, claiming that another sharp reduction in the number of state-owned enterprises and halving the "army of bureaucrats" who work for the government would open the pathway to growth. Yasin worked closely with Gaidar, Mau, et al. in the early 1990s. These has-beens have begun strenuous promotion of their failed policies, just when the Russian economy is faltering and the dirigist approaches outlined by Member of Parliament Sergei Glazyev and other members of the Academy of Sciences appear increasingly attractive.

Russia To Produce Floating Nuclear Plants

BBC carried a report Dec. 10 on the Russian Atomic Energy Ministry's plans to build small nuclear power plants that

would be sited on ships. The first plant, it is reported, will be situated near the Arctic Circle, near Severdvinsk, and will be linked to that city's energy grid in the port by cables. The report states that if the project is "profitable," a dozen such plants could be built, many for export. Orders will be accepted no sooner than 2010.

At a news conference in Moscow on Nov. 29, Deputy Minister Andrey Malyshev said each plant would cost about \$150 million, and that China had shown interest in floating power plants. Each plant would have a 70-megawatt capacity. The Ministry is asking the government to fund the development of the reactor they have designed.

Kazakhstan Will Build a Tokamak Thermonuclear Reactor

Deputy Prime Minister Aleksandr Pavlov announced the project at a press conference Dec. 4 on the passage of Kazakhstan's 2003 budget by Parliament. "We are the only country in the CIS," he said, "that will undertake the construction of such a complex physics and engineering facility next year." The budget will allocate 198.02 million tenge (US\$1.3 million) for the project.

This is part of a broader plan to increase financing of scientific research next year, he said. "The financing of fundamental science will be increasing by 250 million tenge (US\$1.6 million), and scientific research by 450 million tenge (US\$2.9 million)."

The *Interfax* release announcing the news gave background on the tokamak, prototypes of which exist in Britain, the U.S., and Russia, and stressed that "these plants use deuterium, a cheap and inexhaustible fuel source, which is contained in sea water," and that they are environmentally clean and safe.

Russia and Ukraine Establish Gas Transport Consortium

During bilateral talks in Moscow, Russia and Ukraine selected the top management for their new natural gas transport consortium, *Kommersant* daily reported Nov. 22. It will be co-chaired by Russia's Vice Premier Victor Khristenko and Ukraine's First Vice Premier Oleg Dubina. Anatoli Tsymbala, former director of the Russian natural gas monopoly Gazprom's office in Kiev, is appointed executive director of the consortium.

The two countries were long divided by disputes over Ukraine's debt to Russia for previous natural gas imports, and disputes over fees and security for the pipelines, which carry Russian gas to European customers across Ukrainian territory. Now they are preparing through the new consortium to seek investments from Ruhrgas and Gaz de France, for help in the maintenance and upgrading of the pipelines.

British Petroleum Scouts Batumi Port in Ajaria, Georgia

A delegation of top executives from British Petroleum and Petrofac, visiting the Georgian capital of Tbilisi in mid-November, made a side trip to Batumi, the main town in Georgia's Ajaria Autonomous Republic. There, according to TV reports, they "thoroughly examined" the Batumi port for its potential as a crucial link in the Baku-Tbilisi-Ceyhan oil pipeline project. Accompanied by Giya Chanturia, head of Georgia's National Oil Company, the guests met with Ajarian President Aslan Abashidze, Batumi Mayor Georgi Abashidze, and the top management of the port. "The experts of the international consortium proposed to carry out a security study of Port of Batumi," reported Ajara TV. "The high-ranking guests concluded that Batumi Port, with its modern facilities, is quite appropriate for receiving cargos of pipes for the Baku-Ceyhan pipeline. Mr. Chanturia announced that the first cargo of pipes will arrive already in late January."

MIDEAST NEWS DIGEST

Iraq, Israel, and the Bush Administration Crisis

In the Dec. 10 internal briefing for our staff, Jeffrey Steinberg summed up comments by Lyndon LaRouche, *EIR* founder and chairman of the *EIR* Editorial Board, relating to the Iraq war buildup, and the reality of the economic disintegration faced by the United States. What follows is an excerpt from that briefing:

"LaRouche noted last evening (Dec. 9) in discussions that the dynamic around the Iraq war has been reversed, and the war party is now in trouble, defensive, and going berserk. The return of the UN inspectors, the Iraqi cooperation with those inspections, and yesterday's challenge by Blix to the United States, to produce whatever documentation the Administration has of Iraqi violations, all mean that war is *not* on the agenda at this moment.

"Therefore, the Chickenhawks are desperate. They have been temporarily defeated, but not eliminated. For this reason, we much watch the situation in Israel very carefully. The Sharon gang, with their American friends, could very well launch a false-flag terrorist atrocity to get the war that they so desperately want. In this context, the exposé over the weekend, by the Palestinian Authority, of the Mossad 'al-Qaeda' cell being set up in the Gaza Strip is a *strategic* development of the first magnitude. It is not yet clear if this Mossad-run terror cell was being prepared to carry out the mega-terror attack. But either way, this is a phase change. They got caught! Watch the Israelis very closely!

"LaRouche returned to the actions by Blix, demanding that the U.S. publicly disclose any evidence it has against Iraq. Kofi Annan and the Iraqis all made the same demand. This means that it becomes nearly impossible for the U.S. to hold back information, and then spring it at a later point as the pretext for war. This would backfire. The Iraqis submitted their 12,000-page report on their weapons of mass destruction (WMD) program with, in LaRouche's words, 'malice and forethought.' They are demanding information from the United States. This added to the Chickenhawk freakout.

"Now, with the revelations of the Mossad scheme to create an 'al-Qaeda' countergang in the Gaza Strip, LaRouche says that we must doubt the veracity of *everything* the Israelis, under Sharon, say and do, particularly their actions against the Palestinians. The danger is that the Israelis might stage a Gulf of Tonkin incident. The danger is great, but the danger of this exists precisely because we have set back the war drive.

"The second interconnected crisis that LaRouche discussed on Monday night was the onrushing financial and economic collapse. The powers that be in the United States know that the situation is totally falling apart. They are going to need a stimulus package, and they know it. A tax cut won't work. They are floundering for a new policy. Thus, they have selected two new clowns, two new hacks, to promote a new policy that has not yet been designed. They do, however, see the enormity of the crisis. They know they must act! Look at the United Airlines bankruptcy filing on Monday. This is really big. The fall of United, which could be forced into liquidation, is a reflection of the collapse of the entire global airline sector. Olympic Airways is another big airline set for the chopping block. Look at the state of the states: 46 of 50 are officially bankrupt. Look at Amtrak. It's bankrupt. Look at New York City—bankrupt.

"LaRouche's assessment is that the worst is yet to come—and we should look for explosive developments at year-end."

Bush Wants No Iraq War in Near Future; Sees Diplomacy in North Korea

ABC's Barbara Walters interviewed President George W. Bush and First Lady Laura Bush last week, in an interview broadcast on *ABC's* "20/20" program Dec. 12. Her first question was, "Mr. President, what is on everyone's mind, obviously, is Iraq. And the Iraqis of course say they have no weapons of mass destruction. Do you think that Saddam Hussein is lying?"

He answered, "Too early to tell. He certainly has deceived the world in the past, and, time will tell. The issue is, what should be on people's mind is peace, how to achieve peace in a dangerous world."

Walters: "What is your gut feeling? You're a man who talks about your instincts and your gut. What's your gut feeling about this report?"

Bush: "I don't want to prejudge the report. But my gut feeling about Saddam Hussein is that he is a man who deceives, denies."

Later, Walters returned to the question.

Walters: "Well, if you were certain that Saddam Hussein has weapons of mass destruction, would you go ahead with the war on Iraq without the support of the United Nations?"

Bush: "You're doing a fine job of trying to pin me down on the hypothetical—and I will deal with those issues if they come. But let me talk about war in general, if you don't mind. War is my last option, not my first option. See, it's easy in this town for people to commit troops, the U.S. troops, to combat [i.e., in theory], through opinion and the noise you hear in Washington. But there's only one person who is responsible for making that decision, and that's me.... It's hard to know that you've sent a loved one into battle, and the loved one doesn't return.

"Obviously, therefore, you know, when people talk about war here in Washington, you got to know I think awfully hard about the commitment of troops. And obviously if troops are committed to Iraq, I will have made the decision that we will save more lives by military action than otherwise. In other words, the commitment of troops will be to not only enforce doctrine, but more importantly ... to enforce peace, so that peace lasts."

A later question from Walters: "On the subject of defense—the ballistic missiles discovered on a ship from North Korea. Why aren't they as big a threat to us as Iraq?"

Bush: "Well, first of all, I hope the American people are beginning to see we deal with each issue different ways. In other words, not every issue requires a potential military response. There's ways to keep the peace through diplomatic pressure, through alliance, and that's what we're doing in the Korean Peninsula.

"I view this as an opportunity for the United States to work not only closely with, of course, South Korea and Japan to make sure that the Korean Peninsula is nuclear-weapons-free, but also it's a unique moment for us to work with the Chinese and to forge a different relationship to solve a common problem, as well as work with the Russians. And I'm hopeful that the diplomatic pressure and our working together will convince the North Koreans that they should abandon any hopes for the development of a nuclear weapon."

U.S. Challenged To Come Forward with Iraq Intelligence

Iraq's Science Adviser, Gen. Amer al-Saadi, said Iraq's 12,000-page report given to the UN on Dec. 7, one day ahead of the deadline, is complete, but that there is no new information on Iraq's WMD programs (all allegedly terminated in 1991) because all that information had already been provided to the UN. He challenged those with contrary evidence to "come forth with it." On atomic weapons, the London *Times* of Dec. 9 quoted Gen. al-Saadi saying, "We have the complete documentation from design to all the other things. We haven't reached the final assembly of a bomb, nor tested it. It is for others to judge how close we were."

Then, following extensive U.S. pressure, in an unexpected move, UNMOVIC chairman Hans Blix released the report to the United States for "copying," reportedly even before UNMOVIC evaluated it. This contravened the Security Council's vote on Dec. 6, that the report should first be reviewed by the inspectors, a process estimated to take seven to 10 days.

The master copy was snatched up by the U.S. late on the night of Dec. 8, and copies made available the other four permanent Security Council members—Russia, France, Britain, and China—on the following day. Furthermore, it was announced that the 10 elected members of the UNSC would receive only a redacted copy of the report, and only later. The rotating president of the Security Council, Colombia's Alfonso Valdivieso, said Colombia had made a "political decision" to accede to U.S. demands, and to ignore objections from other Security Council members, especially Syria.

Reportedly, Colombia was threatened with withdrawal of U.S. financial aid. According to the *Washington Post*, "U.S. diplomats accompanied Valdivieso [to Blix's office] to inform him of the decision." The reason given for this illicit procedure, was that the report might contain "sensitive" information on nuclear weapons, which could jeopardize non-proliferation efforts.

To be sure, the report most probably contains explosive material, not only relative to Iraq's weapons programs over the past decades, but to foreign companies and persons who made the programs possible. The table of contents which appeared in the press included, in the part on chemical weapons, chapters on technical assistance from abroad, relations to firms and single individuals (20 pages long), and the type and amount of imported chemical materials, installations and munition of the former chemical weapons program (86 pages).

As *EIW* reported weeks ago, Iraq was readily supplied with weapons from a variety of sources, including the United States. The current Defense Secretary Donald Rumsfeld was photographed in an amicable embrace with Iraqi President Saddam Hussein back in 1983, at the time such deliveries were being organized.

***Le Monde* Says Likelihood of War Recedes**

The Dec. 10 issue of France's *Le Monde* ran a major piece entitled, "Why We Will Not Make War." Author Joseph Cirincione, a top Nuclear Proliferation/Weapons of Mass Destruction expert at the Carnegie Endowment for International Peace in Washington, pointed to the fact that, with UN inspectors on the ground, war is not likely. More important, he stressed that "numerous military leaders, actively in service or retired, think that the war is neither necessary nor simple," and cited critiques by former Reagan-era Secretary of the Navy James Webb, and former Commander-in-Chief of the U.S. Central Command, Gen. Anthony Zinni. In addition, there are "strong economic arguments against the war," including crash scenarios.

Thus, he wrote, numerous "Republicans of the Old Guard" have advised Bush not to go to war, fearing that it could "ruin an already weak American economy, as well as the political future of the Republicans."

Chickenhawks Push Interrogation of Iraqi Scientists to Sabotage UN Mission

There is a nasty tale of neo-conservative/Israeli rightwing plotting for war behind the *Washington Post* story of Dec. 12, entitled "White House Orders Plan To Debrief Iraqi Scientists." Quoting one of the usual "unnamed" senior officials of the Bush Administration, the *Post* says that the UN inspections have to become "a little rough," and "a little brutal," by removing Iraqi scientists during inspections. It also reports that National Security Adviser Condi Rice is preparing "orders" on how to get Iraqi scientists out. The scheme is the work of "top civilians in the Defense Department," (that is the Likudnik cabal in the DOD of Paul Wolfowitz, Douglas J. Feith, and Richard Perle,) who see this tactic as their only

chance to escape the inspections "quagmire," (as they call it.) The article admits that pro-war chickenhawks are completely dispirited, and see this as "possibly providing a 'way out' " of the UN resolution, which they see as only a "trap to put off a U.S. invasion." Through whatever means they can, the war hawks are attempting to use this abduction of Iraqi scientists—and their families—as the "red line," to move the Iraq war.

But there is a lot of opposition to it, and the *Washington Post* sources say it is simply "the same internal battle [inside the Bush Administration] being fought on new terrain."

Informed Washington "beltway" observers say that the NSC move in the direction of such plans, comes from Wolfowitz's new agent-in-place at the NSC, convicted Iran-Contra criminal Elliott Abrams, who arranged for millions of dollars of covert funds for Ollie North's "Enterprise," from 1984-86, then lied to Congressional Committees, was convicted, and finally pardoned by George Bush "41." In the last week, it was announced that the tainted Abrams was promoted to be the head of Near East affairs for the NSC. Abrams is working the Iraq war issue, even planning in detail how the U.S. will take over the Iraqi oil fields and run them with the military (see upcoming *EIW*.) Abrams comes from the same network of neo-con thinktanks that sheltered the Wolfowitz cabal members during the Clinton Administration, when they, as nominal Republicans, considered themselves "exiles."

The logic behind this utopian "seize the inspectors" tactic—which has been kicked around the neo-conservative thinktank circuit for the AEI/Heritage/*Weekly Standard* for months—is that once some Iraqis defect, others will follow in droves. In effect, it's an extension of the "war is a cakewalk" view from the Defense Policy Board. The traditional uniformed military sector of the United States considers this utopian thinking to be infantile and dangerous to the welfare of the nation.

In fact, there was even a neo-con bill in the Senate called the "Iraqi Scientists Liberation Act of 2002" that was introduced into the Senate in the frantic weeks before the pre-election Congressional recess, by Senators Joe Biden (D-Del) and Arlen Specter (R-Penna). The bill was passed through the Senate on Nov. 20 by voice acclamation, with no dissensions noted. It was not taken up by the House, and therefore did not become law. However, it is expected that the neo-cons will push the bill through Congress in January.

Meanwhile, the same chickenhawk network is on a campaign, through their media network including the *New York Post*, the *Weekly Standard*, the *Moonie Times*, and the *National Review*, to constantly attack the competence of Dr. Hans Blix, the head of the UNMOVIC inspection organization. Blix has said that the UN body is not an "abduction" outfit.

Asia News Digest

U.S. and China Hold Military Talks for First Time in Bush's Presidency

The U.S. and China have reopened military talks for the first time since the Bush Administration came into office in January 2001. The talks, begun by the Clinton Administration, were scrapped after the conflict over the U.S. spy plane in April 2001, with anti-China rumbling from Defense Secretary Donald Rumsfeld and the utopians. Now, despite neoconservative ranting, Undersecretary of Defense Douglas Feith, a leading warhawk, met last week in Washington with Gen. Xiong Guangkai, Deputy Chief of the Chinese Military General Staff, in the first of the annual sessions, called Defense Consultative Talks. Notably, the *New York Times* of Dec. 10 made the point that "the White House urged the Pentagon to renew the talks."

Feith reported that both sides agree on a denuclearized Korean peninsula, and that China declared they were no longer aiding North Korea's missile program, while the two sides "usefully" discussed several other issues. General Xiong requested to meet with President Bush's National Security Adviser Condoleezza Rice, but it was not clear if the meeting

took place.

In Beijing, the government released a White Paper called "China's National Defense in 2002" on Dec. 9, the day before the talks in the United States. The paper calls a new world war "unlikely," and praises the cooperation among world powers since 9/11. The paper says the world is "far from tranquil," however, since the "old international political and economic order, which is unfair and irrational, has yet to be changed fundamentally." It also points to a "new serious disequilibrium in the balance of military power" between developed and developing countries. It would appear likely that these issues were brought up by Gen. Xiong, although he chose not to speak with the press after the meeting with Feith.

Australian Gestapo Law Defeated, Thanks to LaRouche Associates

The law to create a kind of Gestapo or secret police in Australia failed to pass the Federal Parliament, thanks to mobilization by the Australian associates of Lyndon LaRouche. The failure of Australia's fascist police-state bill, which was to transform the Australian Security Intelligence Agency (ASIO, Australia's MI5) into a secret police force to fight "terrorism," was unexpected, and occurred despite a marathon 27-hour-straight session to try and force it through.

Instead, the bill has become deadlocked, after being heavily watered down by 38 separate amendments in the Senate, which amendments were then rejected by Prime Minister John Howard's Liberal Party government in the House of Representatives. During the marathon session, on the final sitting day of the year, the ASIO bill passed back and forth between the House of Representatives and the Senate a record number of times, as the Opposition Labor Party and minor party-controlled Senate continued to insist on its amendments, and the government continued to reject them. Finally, Attorney-General Darryl Williams, the John Ashcroft of Australia, and the architect of the bill, moved a motion that the bill be "laid aside," accusing the Labor Party of failing to protect the security of Australia's citizens.

These events sparked an extraordinary and acrimonious exchange between Prime Minister Howard and Opposition Leader Simon Crean, each of whom tried to claim that the other was failing to protect Australia's security over the Christmas holiday season. This suggests how high are the stakes around the bill, because ordinarily neither the PM nor Opposition Leader ever engage in debates over bills, leaving it to their ministers and shadow ministers.

There is no doubt that the reason for this amazing defeat has been the year-long mobilization led by the Citizens Electoral Council, the LaRouche co-thinker organization in Australia. The Labor Party opposition did not oppose this bill because of a principled commitment to civil liberties; in fact, a state Labor Party government has recently rushed a new police powers bill into law that in many respects is even worse than the ASIO bill. The difference was that the CEC-led mobilization applied the blowtorch to the Labor Party, and forced them to take a position they otherwise wouldn't have. Even more remarkable, the law failed to pass in the wake of the Bali, Indonesia bombing two months ago, in which 87 Australians were killed, and in the wake of the enormous media and government-led hysteria following that. The defeat still may be only temporary, but the next time this bill comes before Parliament will be February 2003, a full year after it was first tabled—when it was expected to be passed within weeks.

South Korea Laying Rail in DMZ; More Cooperation with Russia Underway

The Ministry of Construction and Transportation in South Korea said Dec. 11 it will start actual rail installation inside the Demilitarized Zone (DMZ) Dec. 12, on the east coast Kyongui (Seoul-Pyongyang-Shinuiju) railway line, after they completed de-mining land mines and preparing the roadbed. Stories are circulating in Seoul that the first train could run from South to North Korea by the New Year.

Some 35 Russian railway experts are meanwhile in North Korea, conducting joint inspections of rail structures on the

North's main west coast line from the major port of Wonsan to Mt. Kumgang near the DMZ, reported *Pyongyang TV*. "Workers from both countries are examining the technical status of railway structures, including stations, roadsides, and railway tunnels, to lay the technical foundations for the improvement and modernization of the Tonghae railway," the broadcaster said. The inspection is taking place in the context of a memorandum of understanding on the "improvement and modernization of the Tonghae railway" signed by both Russia and North Korea.

In Seoul Dec. 10, Russian Deputy Railway Minister Vladimir Sazonov announced plans to form an international consortium to link the Trans-Siberian Railway (TSR) with the Trans-Korean Railway (TKR), as soon as Moscow completes a feasibility study on the reconstruction of the North Korean section of the TKR early next year. Sazonov was in Seoul for the second meeting of the Korea-Russia Transportation Cooperation Committee. He stressed that despite controversy over North Korea's nuclear program, the TKR project and other economic cooperation projects with the North should go on. "The railway cooperation program has the potential to draw North Korea into the international community," he said. "Halting such projects could drive the North further into isolation." Sazonov was Russian chief delegate to the North Korea-Russia railway meeting in Pyongyang in October.

Indonesia and Representatives of Free Aceh Movement Agree To 'Cease Hostilities'

Indonesia and representatives of the Free Aceh Movement agreed to "cease hostilities" at a meeting sponsored Dec. 9 by the Geneva-based Henry Dunant Centre for Humanitarian Dialogue. This 26-year conflict is the longest-running in Southeast Asia—even longer than the Moros in the Philippines. Although previous ceasefires had broken down repeatedly in the past two years, since February of this year, intensive talks have been underway; they resulted in a breakthrough in May in which both sides agreed, in principle, to hold elections in 2004 as part of an overall peace plan.

Significant international muscle is behind the agreement, as well as pressure from the Acehnese population itself, many of whom took part in a mass peace prayer service at the principal mosque in the provincial capital of Banda Aceh, while the relevant parties were signing the accord in Geneva. Among those participating in bringing about the signing are U.S. Gen. (ret) Anthony Zinni, former Thai Foreign Minister Surin Pitsuwan, and Budimir Loncar, former Foreign Minister of Yugoslavia in 1992, before that nation shattered.

Background: Aceh, a Long History of Defiance

Aceh emerged as a sovereign state in the 16th century. When the Dutch invaded, it took them 30 years to subdue the Achenese, who have never fully ceded their claim of independence, and who were the first to support and join Indonesia's fight for independence from colonial rule. In the 1970s, enormous oil and gas reserves were discovered. Under President Suharto, Aceh's independence claim led to the imposition of a military state of emergency, in which 10,000 reportedly died over a decade, the majority of them civilians. Even as the envoys were signing the accord on Dec. 9, at least four civilians were killed, and six arrested. Estimates are that 1,200 have been killed in the past year.

The Dec. 9 accord calls for a joint security committee to monitor the ceasefire by a combination of 150 Acehnese, Indonesians, and foreign monitors, the latter expected to include neighboring Thais and Filipinos. It is a major concession for Indonesia to allow foreign monitors within Indonesia. The Free Aceh Movement has two months to designate where their weapons will be stored, and five months to deposit those weapons, after which only the Swiss mediators will control those sites.

Finally, under the conditions of the accord, Aceh will control 80% of revenues generated in the state under the terms of a regional autonomy mandate adopted by the Indonesia Parliament and President. And, although there is no "smoking gun" evidence of linkage between the accord and an IMF decision Dec. 9, it is notable that IMF released the next \$365-million loan tranche to Jakarta that same day.

Armitage: Southeast Asian Countries May Get 'Panama' Treatment

U.S. Deputy Secretary of State Richard Armitage said that Southeast Asian countries may get the "Panama" treatment, referring to the 1989 U.S. military invasion of Panama to arrest Gen. Manuel Noriega. Hundreds of civilians were killed and injured by the U.S. invading force in the unprecedented action.

Armitage made these remarks while fully backing Australian Prime Minister John Howard's threat of preemptive attacks. According to *Agence France Presse* Dec. 10, Armitage spoke to the *Australian Financial Review* before he left on a trip to Japan, South Korea, China, and Australia. Asked about Howard's threats, he said, "For someone to talk about preempting danger is a statement of the obvious. It was also a wake-up call to some neighbors that they need to better police themselves and rid themselves of the scourge of terrorism."

He said preemption has long been in the U.S. policy arsenal, adding: "We used it most recently in Panama 10 years ago. We went in there in a preemptive way; that's not new." Armitage also described Australia as "fantastically supportive" of the global war on terror and the campaign to disarm Iraq. "I don't think I need to ask Australia for very much," he said.

Bomb Explosions in Northern Bangladesh Kill at Least 20

A series of bombs went off in a movie hall in northern Bangladesh Dec. 7, killing at least 20 people and injuring hundreds more. The simultaneity of explosions in a normally relatively calm part of Bangladesh, suggests that it was an organized effort. However, no group has claimed responsibility yet. Since then, a few bombs in other movie halls in northern Bangladesh have been found and defused.

Bangladesh's Interior Minister Altaf Hussain initially claimed that it was the handiwork of al-Qaeda. Within 48 hours, under intense pressure from his Cabinet members, he not only withdrew his statement, but went on to say that al-Qaeda does not have a network inside Bangladesh. However, all available intelligence information indicates otherwise.

The government of Prime Minister Khaleda Zia has rounded up some senior local politicians belonging to the Awami League, her government's main opposition, and has accused them of the mayhem. It is highly unlikely that such is the case, and it seems that the government in the capital, Dhaka, does not intend to solve the mystery and apprehend the killers.

On the other hand, the Harkatul Jihad-e-Islami (HUI) has built a strong network within Bangladesh. They have systematically campaigned against the movies and dances held in Bangladesh, activities which they charge are anti-Islam and represent "Hindu" culture. HUI came out of the Harkatul Ansar in Pakistan, as did the Harkatul Mujahideen. Pakistan President Gen. Pervez Musharraf has not banned these groups, although the U.S. State Department identified HUI as a terrorist outfit. In fact, former President Bill Clinton had to curtail his trip to Bangladesh in 2000, following intelligence information that the HUI had set up a plot to assassinate him during his visit to a village near to Dhaka.

HUI would have been the automatic suspect in these bombings except for one puzzle: Why would they commit such a horrendous crime on the Muslim holy day of Eid al-Fitr, which brings to a close the Muslim holy month of Ramadan?

Malaysia May Build High-Speed Train Link from Kuala Lumpur to Singapore

According to the Dec. 10 issue of the Malaysian publication *The Star*, Datuk Mohd Nadzmi Mohd Salleh, head of Express Rail Link (ERL), which operates Malaysia's only high-speed train—between the KL City Air Terminal in Kuala Lumpur and the KL International Airport in Sepang—has said that the Kuala Lumpur/Singapore line would be a viable project

given the current air travel passenger volume between the cities. He suggested that the line be modelled on Europe's Eurostar and Japan's Shinkansen (Bullet Train).

ERL electric trains have a cruising speed of 160 kph and a top speed of 172 kph, making them the fastest trains in the ASEAN region. 'High-speed trains may take one-and-a-half hours to arrive in Singapore from Kuala Lumpur and may not take too much time compared with air travel,' he said, adding that the rail link would supplement the existing air travel services.

Nadzmi said that China was more ambitious in its rail projects, as it was implementing super-fast trains (with speeds of up to 570 kph) using magnetic levitation (maglev) technology, to link up Shanghai's new international airport in Pudong district. There was no mention of Malaysia considering building a maglev, however.

This Week in History

December 16-22, 1776

It was late December 1776, when, in the midst of the dismal full retreat from New York forced upon the Continental Army, a clarion call was raised in the form of a small pamphlet called *The American Crisis*. The author, who had travelled with General Washington's army, was young Thomas Paine, the author of the widely circulated, and wildly popular, pamphlet *Common Sense*. Paine, who had been sent to Philadelphia through the mediation of the American Revolution's key recruiter, Benjamin Franklin, in 1774, was already famous for his pro-independence pamphlet, which had begun circulating in January 1776.

Now, however, with the cause of the Americans seemingly in trouble, Paine undertook to write a series of Crisis papers, as a means of rallying the army and population as well. Ultimately there were 16 papers, spanning the period through 1783.

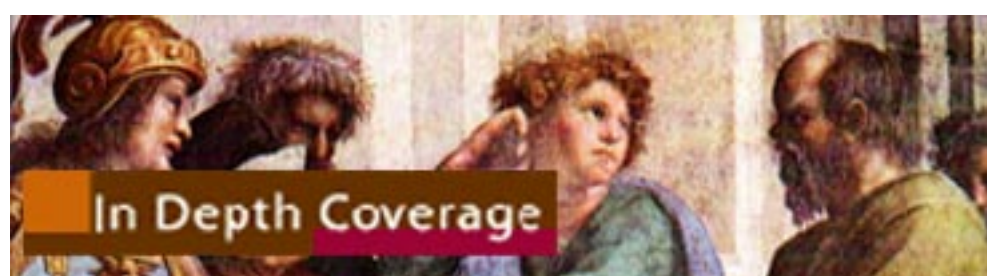
While the paper is too long to be reproduced here in full, we quote some substantial sections, to remind Americans, and others, of Paine's overarching polemic: that it would take the dedication and action of *all*, in order to prevent tyranny from achieving victory, and that those who fight when the situation seems most desperate, deserve the accolades of future generations. The threat which the abandonment of the American intellectual tradition has now brought to the very existence of the United States and humanity, is no less great today, and the challenge to personal commitment, a matter of equal urgency.

"These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands it *now*, deserves the love and thanks of man and woman. Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the conflict, the more glorious the triumph. What we obtain too cheap, we esteem too lightly: it is dearness only that gives every thing its value. Heaven knows how to put the proper price upon its goods; and it would be strange indeed if so celestial an article as *freedom* should not be highly rated. Britain, with an army to enforce her tyranny, has declared that she has a right, *not only to tax*, but *'to bind us in all cases whatsoever'*, and if being *bound in that manner*, is not slavery, then there is not such a thing as slavery upon earth. Even the expression is impious; for so unlimited a power can belong only to God....

"...I turn with the warm ardour of a friend to those who have nobly stood, and are yet determined to stand the matter out: I call not upon a few, but upon all: not on *this* state or *that* state, but on *every* state: up and help us; lay your shoulders to the wheel; better have too much force than too little, when so great an object is at stake. Let it be told to the future world, that in the depth of winter, when nothing but hope and virtue could survive, that the city and the country, alarmed at one common danger, came forth to meet and to repulse it. Say not that thousands are gone, turn out your tens of thousands;

throw not the burden of the day upon Providence, but '*show your faith by your work*,' that God may bless you. It matters not where you live, or what rank of life you hold, the evil or the blessing will reach you all. The far and the near, the home counties and the back, the rich and the poor, will suffer or rejoice alike. The heart that feels not now is dead; the blood of his children will curse his cowardice, who shrinks back at a time when the little might have saved the whole, and made *them* happy. I love the man that can smile in trouble, that can gather strength from distress, and grow brave by reflection. 'Tis the business of little minds to shrink; but he whose heart is firm, and whose conscience approves his conduct, will pursue his principles unto death....

"...Once more we are again collected and collecting; our new army at both ends of the continent is recruiting fast, and we shall be able to open the next campaign with sixty thousands men, well armed and clothed. This is our situation, and who will may know it. By perseverance and fortitude we have the prospect of a glorious issue; by cowardice and submission, the sad choice of a variety of evils—a ravaged country—a depopulated city—habitations without safety, and slavery without hope—our homes turned into barracks and bawdy-houses for Hessians, and a future race to provide for, whose fathers we shall doubt of. Look on this picture and weep over it! and if there yet remains one thoughtless wretch who believes it not, let him suffer it unlamented."



Links to articles from *Executive Intelligence Review**.

***Requires Adobe Reader®.**

Feature:

The 'No-Soul' Gang Behind Reverend Moon's Gnostic Sex Cult

By Laurence Hecht

Back in the 1970s, when the Reverend Sun Myung Moon's Gnostic Sex-Cult Freak Show was in its mass recruiting phase, the 'Moonies' were the American parent's worst nightmare....Today, this lunatic leader of a mass cult is the titular head of a multitrilliondollar, worldwide apparatus of government influence-peddling and control that knows no equal.

Economics:

LaRouche Presents 'Super-TVA' Amid California Collapse

by Harley Schlanger

As the state of California staggered under the weight of a budget deficit which could surpass \$30 billion for the coming fiscal year, Democratic Presidential pre-candidate Lyndon LaRouche presented his alternative, at a Los Angeles town meeting on Dec. 7, to the escalating and devastating budget cuts announced on Dec. 6 by Gov. Gray Davis (D).

Reports Show Tottering U.S. Physical Economy

by Richard Freeman

A sharp increase in U.S. unemployment in November, conjoined to a five-year-long downturn in machine tool consumption and production, signalled accelerated contraction of the physical economy.

Insane Fed Promises To Bail Out Bubble

by John Hoefle

'We stand ready to bail out the financial system no matter what the cost,' is the essence of the message delivered in late November by the Federal Reserve, confirming Lyndon LaRouche's assessment that one cannot properly judge monetary policy without taking the insanity factor into consideration.

India Revives the Plan To Link Up Its Rivers

by Ramtanu Maitra

Early in December, Indian Prime Minister Atal Behari Vajpayee proposed a ten-year plan to inter-link the major Indian rivers, Ganges and Brahmaputra, to bring water to drought-prone and rain-shadow regions of the country. Mrs. Sonia Gandhi, the leader of the parliamentary opposition and President of the Congress Party, quickly endorsed the Prime Minister's proposal, indicating its urgency.

The Case of Mexico: 'Free Trade' Means a Costly Death

by Dennis Small and Ronald Moncayo

The Bush Administration is insanely insisting that on Jan. 1, 2003, the Mexican government of President Vicente Fox apply the scheduled activation of agricultural clauses of the North American Free Trade Agreement (NAFTA), by which Mexican tariffs on all but a handful of farm products the United States wants to export to that country, will be reduced to zero.

To Save Mexico, Let Us Bury NAFTA Now

by Marivilia Carrasco, president of the Ibero-American Solidarity Movement (MSIA) in Mexico.

...The problem is neither the subsidies nor the protectionism of the United States and Canada; nor is the answer to try to gain some time so as to postpone the death of the Mexican farmer. The problem is the entirety of the free trade policy on a world scale!

Even Singapore Has Its Limits on U.S. 'Free Trade Agreement' Scam

by Michael Billington

Since November 2000, Singapore and the United States have been engaged in negotiations which would establish the first Free Trade Agreement (FTA) between the United States and an Asian nation. From the beginning, other Southeast Asian nations worried—often out loud—that the deal was calculated to be a 'foot in the door,' a precedent for the United States to impose conditions unacceptable to the other economies of the region.

International:

Mossad Exposed in Phony 'Palestinian Al-Qaeda' Caper

by Michele Steinberg and Hussein Askary

The United States government has been provided with concrete evidence that the Israeli Mossad and other Israeli intelligence services have been involved in a 13-month effort to 'recruit' an Israeli-run, phony 'al-Qaeda cell' among Palestinians,

'Cheriegate': Britain's New Profumo Affair?

by Mark Burdman

...[T]he Queen's Prime Minister, Tony Blair, is facing his most serious crisis since coming to office, five and a half years ago. This centers around the scandalous, deceptive, and likely illegal behavior of his wife, Cherie.

Venezuela Shuts Down, On Brink of Civil War

by David Ramonet and Gretchen Small

The options for what happens next in Venezuela are few, and none good. If a strong and decisive intervention by inter-American institutions does not force President Hugo Cha'vez to negotiate his resignation, or if the military does not intervene to achieve the same end, the polarized political situation is leading the country toward bloody street fighting.

Attacks on Sovereignty Disrupt Korean Election

by Kathy Wolfe

The new U.S. National Security Directive #17, released Dec. 10, 'emphasizes the threat of a U.S. pre-emptive nuclear strike against Iran, Syria, North Korea, and Libya among other countries,' reports the Washington Post, and is part of a global strategy by the 'Utopian' faction in Washington.

National:

LaRouche to Bush: Time for Real Economic Policy Change

by Jeffrey Steinberg

Lyndon LaRouche, Democratic Presidential pre-candidate for the 2004 election, stunned an audience of Hungary's leading economists on Dec. 12, when he told them that he was optimistic that we may be on the verge of 'remarkable improvements in thinking' in Washington, on the subject of the onrushing collapse of the post-Bretton Woods floating-exchange-rate system, and the breakdown of the U.S. physical economy.

In 2004, Will There Be A Democratic Party?

by Nancy Spannaus

"A loyal Democrat whom I recently met told me about his reaction to the recent behavior of the official Democratic Party leadership. First, after the Democrats refused to support Sen. Robert Byrd (W.V.) in his threatened filibuster against the war resolution, this Democrat telegraphed Senate Democratic leader Tom Daschle, saying that the party's behavior made a good case for a third party..."

Utopians Launch Drive for Hemispheric Military Force

by Gretchen Small

Thanks to U.S. Defense Secretary Donald Rumsfeld, the Russellite utopians finally got their long-sought proposals for the creation of a supranational military force to police the Western Hemisphere, placed officially on the agenda of hemispheric policy discussions. (See: **'The Blunder in U.S. National Security Policy'** from 1995, a strategic intervention by LaRouche, beginning at bottom of page 69, following the article.)

First Special Service Force:

World War II Prototype For Today's Utopians

by Carl Osgood

The unique qualities of the First Special Service Force, of The unique qualities of the First Special Service Force, of wild-eyed Utopians in and around the Bush Administration who seek to create a multinational security force that is loyal to no national government.

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