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This Week You Need To Know

Madrid Bombs: 'Don't Make a Furor; Get the Intelligence'

by Jeffrey Steinberg

Democratic Presidential candidate Lyndon LaRouche issued a statement on March 11 after being briefed on the bombings in Madrid that morning, which had claimed at least 190 lives, and left 1,500 people injured. A total of ten bombs detonated simultaneously aboard three trains at the Madrid train station and along local commuter lines during the morning rush hour. Three additional bombs, set to explode a short time later in the midst of rescue efforts, were found and defused.

LaRouche commented: "The recent atrocities in Spain remind me of the Bologna train station bombing of 1980. I am not surprised at this act of brutal terrorism. As a leading U.S.A. public figure, I present the following precise assessment to the government and to the Democratic Party.

"I warned of precisely this kind of development in August of last year, following statements, issued by Vice President Dick Cheney, in which he referenced new terrorist threats to the United States. I stated at the time that it was crucial to look at the Spanish-speaking side of the international Synarchist apparatus. I pointed to Italian, French, Spanish, and South and Central American networks targetting the United States. These networks were activated along the lines of Samuel Huntington's new Clash of Civilizations efforts, aimed at provoking confrontation between the U.S.A. and the Hispanic population of the Americas and the Iberian peninsula.

"In this context, I appeal to President Bush: Do not—I repeat, do not—trigger some crazy furor over the events in Madrid. Instead, get on to the intelligence. We know where these terrorist attacks are coming from. Start with the international Synarchists, the international friends of the granddaughter of Mussolini—in Italy, France, Spain, and the Americas. Don't let it happen again."

LaRouche's August 2003 Warning

On July 24, 2003, Vice President Dick Cheney delivered a speech at the American Enterprise Institute in Washington, D.C., promoting the Bush Administration's doctrine of preventive war on terrorism. He virtually promised that the United States would again be subject to catastrophic terrorist attacks, perhaps involving the use of weapons of mass destruction provided to terrorist organizations by "rogue states," such as the Afghanistan and Iraq, that had already been militarily attacked and occupied as the first two "battles" of Cheney's war on terrorism.

In response to the Cheney speech, as well as a recently-detected pattern of reactivation of European and Americas-based Synarchist terrorist networks, LaRouche issued an Aug. 9 memorandum, which circulated throughout the United States in multi-million copies, under the headline, "When Cheney Spoke of Terrorism: Which Terrorists, Dick?" The memo explained what LaRouche meant by the current upsurge in right-wing Synarchist terrorism, and how it might be exploited

by Cheney and his neo-conservative allies in and around the Bush Administration.

LaRouche noted that Cheney had emerged, since the terrorist attacks of Sept. 11, 2001, as the most powerful figure in the Bush Administration, and that part of his expanded "Presidential" portfolio was the counter-terrorism policy. "Now," LaRouche wrote, "speaking from that position, he has promised an early terrorist attack on the U.S.A., comparable in political effect to that of Sept. 11, 2001. He does so at a time when his own failing political position requires some lucky such event to put him firmly back in the position he had prior to the recent developments in the Iraq war. He claims to be the expert in such matters. Is he bluffing, or do his advisors know something relevant? Are there any relevant kinds of possible terrorist attacks on the horizon? As, now, the myth of the Arab origin of 9/11 is in the process of becoming buried under a pile of fake yellowcake; what other alternatives exist?

"I know," LaRouche continued, "of two cases which would fit Cheney's requirements. One is typified by the formally deniable capabilities of Pollard Affair star and fugitive Rafi Eitan, currently a subject of concern for both relevant Israeli and U.S. circles. The Israeli fascist circles are masters of disguise. The second, is defined by the cover recently assembled under Spain's leading fascist figure, Blas Piñar. Assess the potential for a relevant type of 9/11-like attack on the U.S. which would be traceable to Blas Piñar, as 9/11 was traced to Arabs. Blas Piñar's current regrouping of international Synarchist forces does contain elements which fit the I.D. of the principal terrorist organizations deployed inside western Europe during the 1970s, in incidents such as the Bologna railway-station bombing and the kidnapping-murder of the Italian leader personally threatened by Henry Kissinger (during a Washington, D.C. meeting), Aldo Moro. These are Synarchist groups whose penetration of Mexico and other parts of the Americas was coordinated, during the 1930s, from Germany, via Spain, by Adolf Hitler's Nazi Party offices in Berlin. They exist, actively, still today."

LaRouche elaborated, "The most significant aspect of the new international regroupment under former Franco official Blas Piñar, is that it is muscular, but of an intrinsically 'mayfly' kind of political-operational potential. It is composed, inclusively, and significantly, of small but muscular groups representing a continuation of those which were used as cover for international terrorist operations in 1970s Europe. Through Blas Piñar's recent action, there are presently ideal instruments for covering terrorist operations run against the internal U.S.A. through South and Central America. Muscular mayfly associations of international Synarchist profiles are, by their very existence, among the most likely sources of international terrorist actions; otherwise, they, like mayflies, die soon."

LaRouche warned: "Think of the effect of a terrorist attack on the U.S.A., comparable in psychological effect to 9/11, but blamed, this time, on Hispanic, rather than Arab populations! Think of the great benefit of that for resuscitating Cheney's re-election prospects!"

A Clear Remedy

LaRouche next turned to the issue of how to respond to such a new terrorist threat of an "Hispanic 9/11": "How should we deal with this? Let us not be stupid again. The methods of Straussians such as Ashcroft and Cheney only make bad matters worse. Use intelligent political methods; expose the Synarchist International. Let people learn from the 1920-1945 wars in Europe, and Nazi subversion of South and Central America, how President Franklin Roosevelt and his leadership dealt politically with such threats. Expose Synarchism for what it actually is. Strip it of toleration by governments and churches, and send quietly waiting counter-intelligence bushes into position, to catch them if they try to move in relevant directions. To make populations as well as leading institutions alert to existing dangers, is the first line of defensive counterintelligence against such dangers. The U.S. has the professional capability for its part in such precautions, were the interference of Cheney's neo-conservative crowd to be removed."

The documentation that accompanied LaRouche's warning, in *EIR*, Aug. 22, 2003 and in two other dossiers on the same Synarchist terror capability ("Maritornes: New Fascist Threat in Old Bottles," *EIR*, Jan. 9, 2004, and "LaRouche Blast

Exposes Synarchist Pro-Terrorist Operation" *EIR*, Jan. 23, 2004), provided all the necessary leads for a comprehensive multi-national counterintelligence effort, involving the security services of the Americas and Europe.

Those three combined reports presented a time-line of the still-ongoing regroupment of the Synarchist-fascist circles into a new international apparatus, targetting specific venom against the United States. Indeed, one of the ideologues of the new Synarchism, Uruguayan writer Alvaro Pacheco Sere, president of the national branch of the Charles VII Traditionalist Brotherhood, wrote an Oct. 26, 2001 article in the Brotherhood's bulletin, celebrating the 9/11 attacks. "The historic 11th of September of 2001 altered the march of world events," he wrote. The United States, which "never was a Nation in the classic sense—they were children of an idea: Liberty, as conceived by the Revolution—felt the blows of the revolutionary groups which it itself had fomented against others. Seen from traditionalist thought, Sept. 11, 2001 appears as 'The Day that the [Masonic] Columns Were Brought Down'.... The destruction of the columns and the wounding of the ... Pentagon appear to mean that some high-level circles, secret and unrecognizable, decided that, there, the Revolution would now be disowned.... Anarchy reigns. The false premises of pacifism, ecumenicism, and the civilization of love preached by the modern masonized world, and with it, by the Church since Vatican II, have been questioned."

Pacheco Sere later wrote, "The national republican States find not only their identity questioned, but their very existence, their independence, the legitimacy of their origin. The fracture of America could only be overcome by the convoking voice of that Crown which gave it being and life."

Emergence of the Synarchist Threat

Highlights of a counterintelligence time-line on this case include:

January 2001: Right-wing Italian terrorist Andrea Insabato was caught, in a failed terrorist attack against a Rome newspaper office. In hearings, anti-terror police chief Ansoino Andreassi linked Insabato to Roberto Fiori, the head of the fascist terrorist group Forza Nuova. Fiori had fled from Italy to London in 1981, following his conviction for membership in a neo-fascist organization called Terza Posizione ("Third Position"), linked to a string of terrorist attacks, from the 1969 Piazza Fontana bombing to the 1980 Bologna bombing.

November 2001: A group of Ibero-American and European Falangists and Carlist restorationists launched a new publication, *Maritornes: Notebooks of Hispanidad*, at a founding ceremony in Madrid. The editorial board represented the nucleus of a new Synarchist International, including several individuals with past ties to the right-wing "strategy of tension" terrorism that destabilized all of continental Europe in the 1970s and early 1980s. Among the leading such figures were Blas Piñar of Spain, a former aide to Francisco Franco, and the founder of the Falangist revival group Fuerza Nueva; and Francesco Maurizio Di Giovine, a leading Italian neo-fascist "historian," who had earlier led blackshirt youth gangs, and was a suspect in the 1974 "Rosa dei Venti" ("Points of the Compass") right-wing terror rampage, that destabilized a succession of Italian governments. It culminated in the 1978 kidnapping/assassination of former Premier Aldo Moro and the December 1980 Bologna train station bombing.

Nov. 16-17, 2002: An international meeting in Madrid launched the new Synarchist International. Among the groups and individuals participating, co-hosted by Blas Piñar's Fuerza Nueva and Falange Español, were: Roberto Fiore of Forza Nuova, who was a featured speaker; Thibault de la Tocnaye, of the French National Front of Jean Marie Le Pen; Udo Voigt of the German National Democratic Party (NPD); a representative of Final Conflict-Third Position of Great Britain, a collection of neo-nazi organizations affiliated with the Romanian Iron Guard; and Argentine retired Army captain Gustavo Breide Obeid, representing the *Partido Popular por la Reconstrucción* (PPR). Breide and two other PPR leaders toured France and Italy, under the sponsorship of Le Pen and Fiore.

Jan. 26, 2003: A followup meeting took place in Madrid, drawing a reported crowd of 3,000 people, addressed by Fiore

and Voigt.

Mid-December 2003: Roberto Fiore announced that his Forza Nuova had formed an electoral bloc with several other neo-fascist splinter parties, including the party of Alessandra Mussolini, the Fascist dictator's granddaughter.

The Jan. 23, 2004 *EIR* dossier characterized the Mussolini, Fiore, Le Pen, Blas Piñar apparatus as "a broader Synarchist operation now under way.... It is Spanish Carlist in roots, fascist in outlook, and terrorist-linked in current political strategic deployments."

The March 12, 2004 *EIR* added one additional feature to the dossier ("Huntington Raves Again: Watch Out for a New Cheney War!"). The March/April 2004 issue of *Foreign Policy*, the journal of the Carnegie Endowment for International Peace, featured a cover story by Clash of Civilizations promoter Samuel Huntington, this time promoting a civil war in the Americas between Hispanics and "the distinct Anglo-Protestant culture" of the United States. Huntington evoked a "white nativist" fascist movement to be born in the United States against Hispanic immigrants. "A plausible reaction to the demographic changes underway in the United States could be the rise of an anti-Hispanic, anti-black, and anti-immigrant movement, composed largely of white, working- and middle-class males, protesting their job losses to immigrants and foreign countries, the perversion of their culture, and the displacement of their language." Pit the hatred of the Hispanics, promoted by Huntington, against the virulent anti-Americanism of the Blas Piñar/Roberto Fiore apparatus, and you have the perfect Synarchist mix: a recipe for precisely the kind of terrorism that exploded in Madrid on March 11.

One Earlier Warning

LaRouche's credentials as a seasoned specialist on matters of global irregular warfare appear by taking his 2003 warnings of a new Hispanic-linked 9/11, in the context of his Aug. 24, 2001 assessment that the United States was ripe for a major international terrorist attack, likely focussed on the nation's capital. Indeed, as the attacks of Sept. 11, 2001 were taking place, LaRouche associates were out on the streets of Washington, D.C. and many other cities, mass distributing a LaRouche Presidential campaign statement, "Jacobin Terror Aims at D.C." In it, the candidate said, "The world is presently gripped by the biggest, most deep-going, most deadly financial and monetary crisis since Europe of the middle-to-late Fourteenth Century. We are in a period in which economic and related circumstances have made the idea of regular modern warfare a sick joke; in which regional and other 'little wars,' terrorism, political assassinations, and other forms of destabilization, are leading items on the agendas of many of the strategic planners. The financial and monetary crisis in its presently advanced stage, drives desperate political forces to the brink, desperate political forces who would rather drive civilization itself to the brink, than tolerate the changes in financial and monetary institutions which the present crisis-situation demands.

"Washington, D.C. has become a very shabby sort of world power, but it is still the leading world power. Any movement which would terrify official Washington and its environs into fleeing under its bed, would be a major strategic threat to the peace of the world at large. Just as the Jacobin Terror of 1789-94 led fatefully to those Napoleonic wars, which dominated Europe until the conclusion of that Vienna Congress which sowed the seeds of the later catastrophes to come."

LaRouche Strategic Briefing to State Legislators

WE HAVE THE FORCES; WE NEED THE LEADERSHIP — TO MOBILIZE FOR VICTORY

Here is the strategic briefing that Lyndon LaRouche gave to a private meeting with 17 state legislators, from across the

nation, on March 13.

The key thing going on now, which is key to understanding what we have to deal with, is what I feared, which happened in Spain. Now, don't believe any of the public press on this stuff. There are some leaks in various press, which give you a key to what's fake. For example, there's no possibility that al-Qaeda was involved in this. There's no possibility that the Basque separatists, the ETA, were involved in this.

This was done as an international operation. We know who did it. It was a group, which I've identified: a Synarchist group, but a very special Synarchist group, whose most prominent figure internationally is the granddaughter of Mussolini, Alessandra Mussolini; who is associated with an organization which is also embedded inside parts of the Italian government; in the French right wing of Le Pen; in the Spanish fascist right wing; and with a lot of the fascists in South and Central America. Their program is another "Clash of Civilizations," this time, to create a clash between the United States and the Hispanic population below the U.S. border, and *within* the U.S. borders.

This is another 9/11, which the suckers were all going to blame on some Islamic group abroad—which has nothing to do with it, except for the fact that some people were stooges for it.

Now, this is a typical kind of problem. I mean, this is the kind of thing I've had a lot of experience with. And therefore, I've been on top of this for a long time. I know exactly what's going on. But, it's typical, the way the public reacts to this is typical of our problem. We've used several examples to try to illustrate this, in the past. Here's the guy, he's a fish in a fishbowl. He's swimming inside a fishbowl, and he's saying, "I'm going to get the place I want, in this fishbowl." Meanwhile, the fishbowl is being carried by somebody outside, to the bathroom, where it's going to be dumped down the toilet. This is the typical American, who thinks he knows from experience, what the rules of the game are, and he's operating within the rules. For example, people say, "Well you can't put the toothpaste back in the tube. You can't go back. Look, you can't go back to the past. You gotta go with the way it's going now." Well, the way it's going now, the fishbowl is being carried into the bathroom, and they're going to dump the contents down the toilet. Is that where you want to go? Or do you have to change?

The Battle of Leuthen, For Example

For example, you have the famous case of a battle, which involved Frederick the Great, at Leuthen. Leuthen is a battleground, which had three major battles on it: One before Leuthen, and one later—Napoleon ran into the same area, and did a much poorer job than Frederick the Great did. Napoleon was a bum, you know; he was essentially a bandit. Not really a general—he was a general nuisance, but not otherwise qualified.

Anyway, so Frederick the Great was faced with a military force commanded by the Austrians. He was part of this Austrian-Prussian war, and they came to this place in Leuthen; it's a famous place, because of its geographic area, and it's one of those crucial places in those times you would choose to fight a battle, for control of that position. So, he was totally outnumbered. And what the Austrians were doing, was a classic type of maneuver, a double-encirclement maneuver. Frederick didn't have the forces to deal with that. But, he destroyed the Austrian forces in two flanking operations, in the same day. The thing he did, which was crucial, which was a matter of his understanding of the situation, and the confidence which his commanders, his junior commanders, and troops, had in him. He told them to scamper. He told them to break ranks and scamper, and run like hell, and regroup in a predetermined position. And they did.

Now, normally, in those days, when you had troops, you wouldn't break up the formation; you try to control them in formation. But, they did it! And by doing that, which the Austrians thought impossible, he outflanked them in one position, and then, just to rub it in, he outflanked them a second time in the same day, by similar methods.

And the Austrians were defeated. And the battle between Prussia and Austro-Hungary was essentially settled, implicitly, by the outcome of that battle. It set the pattern.

Now, in this case, the obvious thing is not simply a cute maneuver of a geographic flanking operation. The point was, that Frederick, because of his skill—and he was well trained, actually—because of his skill, recognized that there were features, in terms of the way in which forces could be deployed, which were beyond the comprehension of the Austrian commander. And therefore, he deployed his troops, with confidence in their ability to carry out the operation, which was a total surprise, outside the thinking of the Austrian commander. And that's the way he won the battle.

Now, this is often the case in history. For example, you have a major general of the United States—a kid!—the Marquis de Lafayette, who played a key part, a decisive part, actually, in winning the Battle at Yorktown, on which the independence of the United States is based! Again, the same principles are involved: Is, you go outside what is the fishbowl, into ways of thinking, which you're not conditioned to accept as rules; and you see that the rules of the universe, are different than the rules you're taught to obey. And you see a rule built into the universe, which is contrary to the rules which you've been taught and conditioned to follow.

Now, that's the situation we're in. People will say, now, with the election, and the political situation in general, that we're going in a certain direction. "It's all locked up." *Nothing* is locked up! Except possibly the minds of some people. All the bums I thought would be out, are now out. They went out exactly as I thought they'd go out. Clark was a flake; he went out because he was a flake. He flaked out. And his behavior in the Balkans was a tip-off as to what he was going to do. When he was a flake for Madeleine "Half-bright," in the Balkans, and made a mess of things there. He's an academic flake, who had no real understanding of real warfare, or real principles. He prided himself on his Oxford education—and was promoted on his Oxford education.

He reminds me of what my friend, the colonel, then was a commanding general of France's forces under de Gaulle, but then a colonel: At that meeting with the generals in France, when he—as only a colonel—the key figure in the French occupation forces in France at the end of the war. And the discussion was, what do you, in the case of outbreak of war? And nobody could answer. So, he waved his hand timidly, and said, "Well," with respect for his generals, he said, "first, you fire all the generals."

That's the kind of situation you face now. Picture, where people are so confident of their position, their barracks training, their management of peacetime conditions, or expected conditions: They suddenly come up against an unexpected situation, and they try to apply the rules of the expected situation to an *unexpected* situation—and they goof! And that's what we're in now.

What's going to happen?

Behind the Madrid Bombing

All right: This terrorist outbreak in Spain, is not something in Spain. It's a strategic operation, inclusively against the United States. Its interpretation is—look, what's the Hispanic-language population of the United States: It's the largest single identified minority in the United States. What's it part of? The largest part comes from the Caribbean area, especially from Mexico. Now, many of these are fully American, in every sense, except they have some memory of the Spanish language and use. Others are recent immigrants—legal and illegal. The flood of Mexican immigration into the United States, recently, is based on the conditions we created in Mexico since 1982: We shut down their economy; they couldn't get the money to feed their family; and they would either come across the border, or sneak across the border; and from there, they would work at slave-labor wages, or the equivalent, to send money back to their families in Mexico. And communities, whole states in Mexico, depend upon remittances from Mexican nationals working in the United States, who are sending

money back home. And that is the major source of the income of these people.

So therefore, you have a hatred against what the United States has done, since 1971-72, especially '82, against the United States throughout all of Central and South America. We are hated! We are increasingly hated—because we raped them. And, if you keep raping somebody, they may object eventually. And they object strongly.

So, on the basis of this hatred among people below the border, which has spread into the north of the border, you have this guy Huntington, Samuel P. Huntington, of the so-called "Clash of Civilizations"; Huntington, who is an agent of a British agent called Bernard Lewis—who is his actual adviser, and shapes his policies, who's now an old fellow, resident at Princeton, who runs these guys—runs Brzezinski, too. And did run Kissinger, for a while.

So what they've done, is conceived of, is conducting asymmetric warfare, to destroy the United States. That's what happened in 9/11. It was an attempt to create a state of terror, under which they could manipulate the United States, and put it in the direction of establishing a dictatorship. The purpose of the dictatorship is obvious—what I identified: It's the Felix Rohatyn phenomenon.

You go back to the period of World War II and before. In the Treaty of Versailles period, a group of international bankers, typified by the people who patronized Felix Rohatyn, Lazard Frères, called Lazard Brothers in the United States—these guys realized that what they had done, at the end of the war, the Versailles agreement, could not work. In other words, here you had a world, which was shattered and indebted, by a prolonged, so-called World War. The French and the British were totally bankrupt at that point. The British and French had been saved from an otherwise inevitable conquest by Germany, by the infusion of U.S. forces, materiel, and troops; otherwise France would have been defeated, and Britain, also. And also, the United States put a lot of money into that.

So therefore, the New York bankers were now the creditors of the French and British nations. The French and British nations were counting on being bailed out by squeezing the Germans, in war reparations payments—which the Germans could never pay! Because you would loot the economy down to the point, it can not generate these payments, these tributes. That means that the creditor is bankrupt, because the guy he's sucking on has no more blood!

The Synarchist International

So, thus, everyone knew at the beginning, as this fellow John Maynard Keynes said, in Versailles, that this system was doomed to collapse. So, at that point, these bankers, which are actually Venetian-style financier oligarchs, decided to plan world dictatorship: The same kind of world dictatorship, in principle, is being pushed now, *inside* the United States. The dictatorship was the assumption that the system was going to crash, and since these involved governments, which were governments, which had sovereignty, the pressure on governments is that the governments would have to take care of the people first and the essential institutions of society, before the bankers. And the bankers said, "No go." And therefore, you had the formation, among these bankers, of what was known as the Synarchist International. It's the legacy of the Napoleonic wars.

The Synarchist International, then, from 1922 to 1945, established a network of what we call fascist dictatorships, on the continent of Europe. These fascists were supported by the United States, by Morgan, by Harriman, by du Pont, and by Mellon, and similar types. They were the ones who funded putting Hitler into power in Germany, as a key to establishing this master plan. They only turned against Hitler, when the issue became the United Kingdom, and the British Empire. And Churchill and Company said, "No, we're not going to let a German dictator run our fascist empire. If there's going to be a fascist empire, we're going to run it—an English-speaking empire."

So therefore, Roosevelt had the support of Churchill, and even some of these bankers, in conducting the Second World

War, up until the summer of 1944, at which point, a right-wing turn occurred in the United States, led by these bankers, and that fascist pig, the Ku Klux Klan veteran, Harry Truman—to speak plainly about such matters. That's what he is: Truman was a fascist! And people are running around saying he's a good Democrat: He's a no-good Democrat!

So, we went through a right-wing turn in the United States. We got into an unnecessary conflict with the Soviet Union, which was terrified at the time, and wanted to cooperate. We *forced* a nuclear confrontation, first by dropping those two bombs on Hiroshima and Nagasaki; and proceeding to announce, from Truman and Company, that our policy was preventive nuclear warfare with the Soviet Union as the first target. We conducted that policy, even though we didn't have the bombs. Because the bombs we had used, in Japan, were experimental prototypes. The third of a series. We didn't have a production line to produce these nuclear bombs. We did not have, actually, an effective air delivery capability, which this policy implied. But, we insisted we did, and we conducted our politics under Truman, as if we did. We conducted right-wing campaigns against unions and others, inside the United States, to break their backs. This process of a fascist movement, inside the United States, reached a peak under Truman in 1948. And then, you have McCarthy as an afterthought—an afterbirth—of Truman. And, we were saved from that, by Eisenhower.

So much for the myth of the Democratic Party!

And, I had actually worked to try to get Eisenhower to run for President in 1947. He agreed with the argument, but didn't do it. He said, "I have to do it later. I have to wait." And he did wait, but he ran on the Republican side. But, he did save the United States from these guys.

So, what we had, this right-wing turn, is what we're looking at now. You have something, which was called "fascist" during 1922-1945. That is what's running the top of the Democratic Party *and* the Republican Party, now. That's why you had the Gore-Bush rivalry, in 2000: Because you didn't have a candidate who represented the United States, running for President. You had some bunch of clowns: You had Bush, who was probably the most stupid man that ever ran for the office; and then, you had a fascist rug-chewer as his Vice President, who was actually going to run him. You had Gore, who is less than nothing—he's also of this type. He's an interchangeable chameleon, with no definite species attached to him. And then, you had this fascist, Lieberman, from Connecticut, as the Vice President. So, the Vices in each case, were the force of evil, and the clowns were the Presidents.

Enter: Felix Rohatyn

So, the system was, to have a clown for President—and we got one now! And to have a Vice President, who would take care of managing the vice—which we got now!

So, now, we're in the situation; the system is coming down. They orchestrated this situation, such that they were going to wait, until they rammed through the selection of a Presidential candidate in the primary process in the Democratic primaries. They think they have done that now. Now, they'll go to work *against that candidate*, which will now be the one target. Assuming if they get that one candidate out of the way, with aid of massive computer-assisted vote fraud, they can take over the country, come November.

In the meantime, what's their policy? They have a policy, also for Kerry: The policy is the Felix Rohatyn policy. It's the reason I was kept out—by the orders of these bankers. Because, the issue is very simple: When you come to a financial crisis, and this system is coming down, now—there is *no possibility* of avoiding a depression. It's here! It's on! There's no recovery possible. It's gone. We're headed toward Hell!

Now, of course, with our system of government, if you have a President, with something in the Congress, and the people supporting him, you can not impose a dictatorship, under our Constitution: Our traditions and so forth, will not permit it,

particularly in this day and age. The issue is going to be the people! Are you going to defend the people? Or, are you going to sell the people off for body parts? Rohatyn says, they're going to be sold off for body parts. And, if a Democrat goes into public office, who is controlled by the Rohatyn Democrats, or the Soros Democrats—which are the same thing—then you're going to have a fascist dictatorship. I don't care who is the President. Kerry will be rigged, when the team is put together, if he's elected. It'll be rigged in such a way, that he has no control over his own administration. The bankers will have everything in place to pull him down—pre-set up. And, you look for a push on the Vice Presidential candidacy: that will tell you what's going on. They might even push for McCain. It's not impossible.

But, that's the general situation.

Now, what's going to happen? We don't have a nomination now. The fact of all these votes, and so forth—we don't have a nomination. We all know it. Incidents which blow apart the consensus of agreement can turn the delegates in such a way that it doesn't go that way. We have that—number one. We have the depression coming on, which can bring that kind of situation on. This will probably hit with full force, well before June and July.

We go from there, we get a nomination. We go to the election: November. What's going to happen in the election? Are we going to get the computers out of there? Otherwise, I'll tell you what's going to happen: You might have a 20% vote fraud, in the national vote. It's all being pre-rigged. We're fighting against it; some people in the Congress are fighting against it. They realize what it is. That's good. I'm glad to see the fight—but we need more strength on it.

Then, you go to a jammed-up—at best—a jammed-up Electoral College, more jammed up than in 2000. Now, you have a fascist monster, called Scalia. He's called Scalia, named for the scales on his back! And his financial habits, hmm? What's going to happen with the five fascists dominating the Supreme Court?

So, nothing is decided! In the meantime, all kinds of hell are going to burst loose around this planet. In this process, the launching of another terrorist raid—now, remember: If those trains had all come into that train station on schedule, instead of all coming in late—you'd have had something comparable to New York, in terms of the death toll! I mean, imagine the trains come *into* the enclosed train station, with these explosives on them, going off, and timed to explode at the time the trains were all supposed to be *simultaneously in the station*. All you do, is look at the list. What was the date and time of arrival of each of these trains? At what time did these bombs go off? Where were the trains then, as opposed to where they were supposed to be, if they'd come in on schedule? And the Spanish usually pride themselves, on the bringing the trains in on schedule these days—one of their big braggadocios.

Who runs it? Who's capable of doing this? The same people who ran the Bologna train station thing in 1980. The other guys, I'm familiar with—we know who they are. We know the top people by name. We know who's behind them: The Synarchists are behind them; the Synarchist International. So, don't take any little fairy stories, about the mystery of who's behind it. We know who's behind it: *It's a major strategic operation, whose included target is the United States*. And, one of the elements that's potential here, is the orchestration of Hispanic revolt, inside the United States—provoked. All you have to have, a few atrocities and so forth thrown in: You've got it. You've got Ashcroft in power; you've got Cheney still in power. *These guys, and the people behind them, would do it*. Have no illusion.

When you know a guy is a man-eating tiger, you don't have to convict him of eating another victim. He already has a record: That's his character—he's a man-eating tiger. You've seen what he's done. You're going to say, "Well, let's give him a fair chance!" "What? Eat my cousin?"

And so, these guys are there; they have the power; they've demonstrated it. Look, a war was imposed on the United States by an act tantamount to treason. The use of the War Powers provision, of the design of the Federal Constitution respecting the Executive, to put constraints, through checks and balances, especially the Senate, on the war-making powers of the

Presidency, such that we could not have a George III using Executive power to start wars on his own, against the will of the people, against good reason.

So therefore, what they did, is they got the cowardly Congress, the "cowardly lions" of the Congress, to agree to an in-between condition, of bullying, and these guys—one by one, one after the other, capitulated all the way, until we're deep into the war. And even though it was known that Cheney had done it, they wouldn't say so. They'd say, "Well, we're going to get Bush in the next election!" How do you know you're going to get a next election?! Why wait? "Oh, we want to play fair."

Well, the reason is, you got a bunch of skunks in the Democratic Party, who are also part of the Synarchist operation: Look at the number of people in the Democratic Party, who are financial controlled by people like Felix Rohatyn and George Soros. How many people are on the take for George Soros? How many people are defending George Soros? He's the guy who's "helping us out against Bush?" Who owns you, if George Soros owns you? Who owns George Soros? The London Synarchist bankers.

That's the problem, you see. That identifies the problem. The fishbowl problem: That we've become so conditioned to "popular opinion" we say, "We have to adapt to popular opinion. We have to go along with the way people have been conditioned to go."

In a period of crisis, leadership consists, usually, of *going against popular opinion, when it's necessary!* And, when you're going to do that, you have to know what you're doing. There's an element of risk; there's always an element of risk in leadership. And, if you're unable to take that risk, *don't* pretend to be a leader! Because, in times of crisis, such as the Battle at Leuthen, facing Frederick the Great, you either are a leader, who is capable of seeing the opportunity, taking the necessary risk, or *get out!* Scram! Git! Be gone!

And the problem is, and what I have to do in this process—none of the other guys that are in the running, have the knowledge or guts to deal with this situation. And that's what my job is: Somehow save this nation. Because I'm telling you, what's out there, in terms of prevailing institutions, has no capability of saving this nation. We have the *troops* out there. We have the forces with which to win victory. But we don't have the leadership, which can utilize and mobilize those forces *for* victory, in a time of conflict. If we can't change this thing, we're doomed.

LAROCHE PRESS CONFERENCE IN FRANKFORT, KENTUCKY

Democratic Presidential candidate Lyndon LaRouche gave this press conference in Frankfort, Kentucky, on March 9.

LAROCHE: I would recommend, to understand what I'm about to say about the state of the campaign, one should pull down from the London *Guardian* site, Larry Elliott's column on the Argentina crisis today. One should also pull down, from the Bank for International Settlements' Quarterly Report, some things I refer to now.

The situation is, that people think the primary campaign is over. It's not over. It's not even close to ending. Because the issues which are going to decide what happens in the election, are not decided, and Kerry has not decided what his program is. So, what's going to happen is, the explosion of an international financial crisis, is going to change the agenda, during the coming months, between now and the convention in Boston this July. What will come on the agenda, is the fact that we have to go back to an FDR-type policy, to get out of what is going to be the biggest depression in anyone's memory. This would mean that there'll be a fight in the Democratic Party, which is already ongoing, and I'm one part of that fight. It's a fight between people, including Bob Rubin, who I am generally sympathetic to—I have my own views—who is opposed to Felix Rohatyn's policy. Felix Rohatyn, an associate of Lazard Frères, is one of the king-makers behind the scenes in the Democratic Party today. The plan is, that he should control Kennedy. If Felix Rohatyn controls Kerry's election, Kerry will

be an office boy for the bankers during the middle of a depression.

The issue is, to fight that issue out. I think Kerry, personally, is a man of good qualities, and courageous, but he's ignorant of economics. My job is, among other things, to replace him—that would be the best option—because I know how to make the decisions, but the other option is to educate him, and therefore I'm running for those two purposes. Both for the candidacy, which is not settled now, and also, to educate my only rival, Kerry.

At the same time, we have several other points that are coming up, now, with the convention. What happens at the convention, nobody can predict right now. What will happen in the election, no one can predict—especially with this touch-screen voting. With computer voting, you could have as much as a 20% fraud in a national election. Many of us in Washington are working to overturn this computerized voting, and to go back to a straight paper ballot, in order to ensure an honest election.

The other issue is the election. Since we don't know whether we're going to have a fair election! We could have likely a worse mess than we had in 2000.

Therefore, that issue is coming up.

Then, we don't know exactly how this is going to work out, and we have to face what is going to happen, between the election, and the inauguration of the President in January.

So, these are several points which are now on the agenda, in the context of a world financial crisis, which have not been put before the public yet, and must be put before the general public increasingly during the coming weeks and months. That's what the campaign is about this time.

We've eliminated all the chaff, all the also-rans are out. It's Kerry and me. There's nothing else. So, Kerry and I are going to be the pillars, or the poles, of a debate over these issues of policy in the coming months. That's what the whole campaign is.

QUESTION: Well, I wonder what kind of evidence you have of—clearly there has been a crisis in Argentina for a while, but what evidence would you give of the worldwide depression?

LAROCHE: Well, anyone—there's tremendous evidence. I've written about it a great deal. I have a record of the most successful long-range economic forecaster in the past 30 years.

But on top of that, the stories which indicate there is *not* going to be a crisis in the United States, are fraudulent. Now, when it comes to the Bush Administration, he's probably the most ignorant man in politics in the United States. I don't think his opinion's worth much on this question. Others are keeping their mouths shut. But you have now, from Europe—remember, the Bank for International Settlements is one of the more significant international features of international finance. We're talking about what? We're talking about a collapse: First of all, we have the bond rates. The bond rates have been about 5% low, over a period of time. This thing cannot be sustained. It can blow.

We had in the recent period, remember we have a world economy which is estimated in the order of \$41 trillion dollars net product. All right, we have in the recent period, about \$8.7 quadrillion dollars of financial derivatives turnover, in the past year. So, we're actually with a totally bankrupt system, more bankrupt than Germany was in a sense, in 1923. We're in a much more severe crisis than during the period of the last depression, when Franklin Roosevelt came in.

This is all known. But there's no evidence whatsoever that there is not a crisis coming on, but many people are sitting in

wishful denial, and saying there is no crash. There is a collapse. It's coming on now.

QUESTION: So, what shall we do?

LAROCHE: Well, the process is, you have to, first of all, start from the mind-state of Franklin Roosevelt, coming in the 1932 election, 1933. You have to approach a crisis like this. You have to put the Federal Reserve System into bankruptcy; the U.S. banking system is bankrupt. You must put it through bankruptcy reorganization, to prevent chaos.

The international monetary system is now in a crisis; that most of its debt, the majority of its debt, is to Argentina and Brazil. There's now a conflict, a collection conflict, between Argentina and the IMF and Annie Krueger, whom some people think is Freddie Krueger's sister—the acting head of the IMF now. These issues are such that the whole system is coming down.

You have also a real-estate bubble in the United States, which can blow very easily—.

QUESTION: But, I guess I want to see, what would you do then? Change the [inaudible]?

LAROCHE: The United States government, under the power of the Constitution, puts the Federal Reserve System into bankruptcy reorganization, works with other nations, in other countries, to put the IMF, which is our property—that is, the property of a number of countries—we put it into bankruptcy reorganization. We generate a mass of credit, for large-scale infrastructure programs, with the intent in the United States to increase the total employment by 10 million persons. Without that increase in employment, as you're seeing debated in the legislature here, in Frankfort, today, so in 47 other states of the Federal States—the states cannot possibly meet their obligations as states, without cutting into the incomes of people to such a degree, that that's intolerable.

Therefore, the states are, in a sense—if they weren't governments, would be bankrupt. They can not meet their obligations. And they don't have the resources with which to meet the obligations. Therefore, what we *have* to do, to stabilize the United States, we must increase employment, through infrastructure projects backed by the Federal government, to the degree that the income in the states, is sufficient to enable the states to balance their budgets.

In other words, there's no fiscal austerity, no budget-balancing trips, will work. And the legislature in this state, as in other states, is facing the same problem. That there is not the money available, from tax revenues, without looting the people to impossible degrees, to balance the budget. Therefore, this is our problem. So, the first thing you have to face, is stability of the U.S. government, which is now bankrupt itself. Our current account deficit, for example, presently, over \$700 billion dollars a minute—it's impossible.

So, under these conditions, the President of the United States must take action to maintain the continuity of business as usual, in the ordinary sense, both by government, by state governments, by local communities, and to try to get some employment back into this economy. We're losing employment.

So, those are the things that Roosevelt would have done. And the problem today is much more serious than it was then—our economy is much more decadent than it was under Roosevelt. But what we need is a President, and an administration, which thinks like Franklin Roosevelt; the same kind of thinking is the approach you start with, to deal with a crisis of this type. And from my dealing with governments abroad, I know that they would go along with the United States in the kind of proposal I'm proposing, if it were to be made.

QUESTION: So, to have the states hire more people, basically. And the Federal government as well? Or, just the states?

LAROUCHE: The Federal government has to take the primary responsibility, under our Constitution. But, the point is: Our system of government has three arms of government, under our Constitution. We have the Federal government with the Executive Branch, the Legislature, and the Supreme Court, the Federal courts. We also have the states. The states are a part of the Federal system, and they have certain powers in the Federal system, but which are theirs. And without cooperation between the Federal government and the states, you can not solve our problem.

Links to articles from *Executive Intelligence Review**

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Feature:

Beltway Ideologues Deny Mad-Cow Disease Threat

by Marcia Merry Baker

On March 5, at the Houston Rodeo and Livestock Arena, a show-hearing was held on Mad Cow Disease in North America, by the Agriculture Committee of the House of Representatives, for the Bush Administration to announce a 'voluntary' program for identification and tracking of cattle. It is to be implemented in the indefinite future—maybe 'sometime next summer.'

- [Interview: Colin Lowry](#)

Don't Underestimate This Public Health Enemy: 'Prion Pathology'

Colin Lowry, cell biologist and Associate Editor of 21st Century Science&Technology magazine, was interviewed on Feb. 12 on the danger of bovine spongiform encephalopathy—BSE, or mad cow disease—and the little-known science of prions. The interview, excerpted here, was conducted by Economics Editor Marcia Merry Baker and Science Editor Marjorie Mazel Hecht. The full interview will appear in *21st Century Science and Technology*.

Joseph Fouché' and The French Insurrection

by Katherine Kanter

The story of Joseph Fouché' is published here as a contribution to our series on the Synarchist International: the 'beast-men' who seize control of nations in periods of crisis, perpetrating unspeakable horrors for the sake of terrifying their opponents into submission....The present study of the founder of the modern concept of political police, though very summary, will shed some light on what must change, in the French political psyche.

Science & Technology:

Rovers Find Proof, Mars Was Once 'Soaked' With Water

by Marsha Freeman

Scientists have long thought that there was once water on the surface of Mars, based on orbital photographs. Now they have on-the- ground proof.

Economics:

Argentina Backs Down the IMF, But Pulls the KnockOut Punch

by Dennis Small and Cynthia Rush

Early on the afternoon of March 9, after several days of tense negotiations, the Argentine government and the International Monetary Fund (IMF) stepped away from a total showdown on the issue of Argentina's restructuring of \$99 billion in public debt on which it defaulted in December 2001, and the two sides came to a time-buying agreement....The Kirchner government thus backed down the once-mighty IMF, and won this round of the battle by threatening to use its 'debt bomb' if forced to the wall. But Kirchner failed to deliver the knock-out punch to the entire IMFsystem, which in all likelihood would have resulted if Argentina had outright defaulted on its \$3.1 billion payment.

Who Was Schacht, and What Is Schachtianism?

by Michael Liebig

With a world economy in the throes of a deep systemic crisis, Democratic Presidential candidate Lyndon LaRouche has stressed that only two fundamental alternative policies exist: reorganize the international financial system along the lines of his proposal for a New Bretton Woods conference, in the tradition of Franklin Delano Roosevelt's actions against the Depression ... or adopt the policies of Hjalmar Schacht,... Hitler's Economics Minister in the 1930s—policies that today are represented, typically, by American banker Felix Rohatyn.

In Italy, Crisis Brings Crackdown on the Banks

by Claudio Celani

On March 2, the Neue Zürcher Zeitung published an alarmed report from Rome: In Italy—wrote the newspaper of the Swiss financial community—a dangerous witch-hunt is developing against the Italian banking system. The Italian banks are targeted by public opinion, by the judiciary, and even by Parliament, because they are considered responsible for a series of corporate failures and other events which have severely hit hundreds of thousands of small investors.

Hyperinflationary Rise Spreads Worldwide

by Richard Freeman

During the past 8 months, a wide array of goods, from raw materials, to intermediate goods, in addition to some final goods, have undergone price explosions not experienced, in some cases, in more than two decades. A leading example of this is the case of gasoline. ... The EIA reports that during the past 10 weeks, the price of gasoline in California has climbed 51.7 cents per gallon—or 32%. The price is within pennies of its all-time record of \$2.145 reached during the Summer of last year, and some analysts predict that the price will shoot to \$2.50 or higher by the Summer of this year.

'Dynamite Is Everywhere' In Financial System Now

by Paul Gallagher

As Presidential candidate Lyndon LaRouche was addressing his Australian movement on March 5 ('This World Monetary System Is on the Way to the Burial Grounds,' see below), alarm bells were indeed tolling very loudly for the global financial system, which threatened to explode before the U.S. Democratic Party holds its nominating convention in July in Boston.

- **LaRouche to Australian Movement:**

- **'This World Monetary System Is On the Way to the Burial Grounds'**

Presidential candidate Lyndon LaRouche addressed 40 Australian recruits of his International LaRouche Youth Movement on March 5, at a weekend 'cadre school' near Melbourne. LaRouche's speech to the group by telephone conference was followed by two hours of questions and discussion, not published here, but available at www.larouchein2004.com.

International:

Madrid Bombs:

'Don't Make a Furor, Get the Intelligence'

by Jeffrey Steinberg

Democratic Presidential candidate Lyndon LaRouche issued a statement on March 11 after being briefed on the bombings in Madrid that morning, which had claimed at least 190 lives...LaRouche commented: 'The recent atrocities in Spain remind me of the Bologna train station bombing of 1980. I am not surprised at this act of brutal terrorism. As a leading U.S.A. public figure, I present the following precise assessment to the government and to the Democratic Party....'

U.S. Lays Down 'The Law' In Iraq: Who Will Obey?

by Muriel Mirak-Weissbach

At long last, the so-called interim agreement for Iraq was signed on March 8, in Baghdad. Although U.S. proconsul Paul Bremer could be heard

sighing with relief, there was little for the occupying forces to be happy about.

'Dark Clouds' Gather Over Sharon's Regime

by Dean Andromidas

The Israeli mass-circulation daily Ma'ariv on March 3 launched yet another scandal against Prime Minister Ariel Sharon, one that could finally lead to his early demise. The affair involves Elhanan Tennenbaum, the reputed drug trafficker whose release from captivity by the Lebanese militant organization Hezbollah was secured by Sharon...

Report From Germany

by Rainer Apel

Could there be a German parliamentary equivalent to the spectacular Feb. 13 initiative in the two chambers of the Italian Parliament for a New Bretton Woods reorganization of the bankrupt global financial system?

Australia Dossier

by Robert Barwick

Australia's 'Notverordnung:'

Nazi 'emergency decree' legislation to ban organizations has been rammed through Parliament.

A bill granting Australia's Attorney General sweeping powers to arbitrarily ban organizations was rushed into law on March 4...The Criminal Code Amendment (Terrorist Organizations) Bill 2003 provides for organizations to be proscribed simply if the Attorney General, with no requirement to test the evidence, is 'satisfied on reasonable grounds that the organization is directly or indirectly engaged in, preparing, planning, assisting in or fostering the doing of a terrorist act (whether or not the terrorist act has occurred or will occur).'

National:

LaRouche in Kentucky, Oregon:

Primary Campaign's Not Over

by Nancy Spannaus

'People think the primary campaign is over. It's not over. It's not even close to ending. Because the issues which are going to decide what happens in the election are not decided, and Kerry has not decided what his program is. So, what's going to happen is, the explosion of an international financial crisis is going to change the agenda, during the coming months, between now and the Convention in Boston this July. "

DeLay Getting Desperate As Scandal Waters Rise

by Anton Chaitkin

Pressed by multiplying criminal investigations of his fundraising agents, and embarrassed by the wide circulation of a dossier on his mental life while under the control of religious psychopaths at 'The Fellowship,' House Majority Leader Tom DeLay is flailing about for support to save his power.

Investigations Rip the Cheney-Pentagon Axis of Liars Behind Unending Iraq War

by Michele Steinberg

The Justice Department on March 11 opened up an investigation of Vice President Dick Cheney's former company, Halliburton, following a months-long Department of Defense probe into Halliburton's overcharging about \$61 million for gasoline the company supplied to the U.S. occupation in Iraq.

Debates Rage in Congress On HAVA Computer Vote Act

by Edward Spannaus

EIR has obtained two 'Dear Colleague' letters, now circulating in Congress, on the subject of whether or not to amend the 2002 Help America Vote Act (HAVA), to require the printing of a paper record, which would allow an election to be audited and ballots to be recounted....EIR believes that computerized voting must be banned altogether on an emergency basis, and that the November election must be conducted entirely with paper

ballots, as the best means of preventing vote fraud and the theft of the 2004 elections.

U.S. Economic/Financial News

Jobs Crisis Increases Heat on Bush Administration

Three leading columnists for the *Washington Post* and the *New York Times*, featured the jobs collapse in their op-eds on March 9. The *Post*'s E.J. Dionne noted that the only jobs added in the past months are from local government, mostly teachers. The tax cuts have failed to stimulate any private-sector jobs, he wrote, while last month alone, 392,000 people dropped out of the statistical workforce, after giving up on finding a job. An additional 760,000 exhausted their unemployment benefits in the first two months of the year, due to the refusal of the Congress to extend those benefits.

Paul Krugman, in the *Times*, published a graph showing the Bush Administration's projections of job growth vs. the reality, which closely approximates Lyndon LaRouche's famous "Triple Curve" Collapse Function.

And, the *Post*'s David Ignatius calls his column the "Mystery of the Missing Jobs." Denouncing protectionist calls from Democratic Presidential candidates John Kerry and John Edwards as courting disaster, Ignatius peddles the Bush line—that the economy is great, despite the collapse of the IT bubble, 9/11, Enron, the Iraq war, and new regulations—but adds that employers are spooked by these things, and are hesitant to hire.

It's all a confidence game, after all.

Greenspan Repeats Call for 'Regrettable' Schachtian Policy

Federal Reserve Chairman Alan Greenspan on March 11 reiterated his demand for Congress to cut future Social Security benefits, under conditions of the breakdown of the world financial-monetary system. Greenspan claimed that the government would not be able to afford to pay all the benefits currently pledged under Social Security and Medicare. "We do not have enough in real resources to meet the promises that have already been made," he said in response to a question from Rep. Dennis Kucinich (D-Ohio). "We will not be able to fully meet the benefits to the next generation, the Baby Boomers that are retiring.... We have to construct a pattern that the benefits we do promise, will be delivered," he told the House Education and Workforce Committee. Choices would have to be made, Greenspan opined, and, "all the choices, regrettably, are negative."

CFR Man Warns of Crash; Demands Hardball Solutions

C. Fred Bergsten, writing in March/April *Foreign Affairs*, warned of a crash, and offered hardball policies to open markets as the only solution. Bergsten, a key player in the Delphic "New Bretton Woods, à la Felix Rohatyn" to save the IMF system, laid out his "Foreign Economic Policy for the Next President," in the Council on Foreign Relations publication, explaining that whoever wins the election will face "deep jeopardy" for the world-trade system, and a breakdown in globalization that will be "very dangerous to U.S. foreign policy." He praised the Bush Administration's push for free trade, but noted that he's failed miserably (mainly due to Congressional pressure for protection), with the collapse of WTO meetings, bilateral FTAs that are not going to pass a hostile Congress, and trade war brewing with Europe.

Unlike U.S. superiority strategically, said Bergsten, Europe is now the economic equal of the U.S., and China is on the way to becoming so, with a "new Asian bloc shattering the final vestiges of U.S. economic hegemony."

His solution: a 25% devaluation of the dollar, already exceeded; tough policies to force floating exchange rates and stop currency pegs and intervention ("implement new mechanisms limiting the deviation of exchange rates from their equilibrium values through close cooperation between economic policy makers in major countries"); stop FTAs between European and Asian nations that leave out the U.S.; use oil reserves to counter the OPEC bullies who "manipulate world energy prices," and force energy conservation at home; and, of course, unlike the neo-cons, do this all "multilaterally."

Senate Votes To Restrict Bush Tax Cuts

The U.S. Senate voted 51-48 on March 11 to impose restrictions on any new tax cuts, which could kill the President George W. Bush's plan to "make the tax cuts permanent." Since Bush has nothing else to say about the economy, the fact that several Republican Senators voted against him on this is a severe blow. Bush and his budget director Josh Bolton lobbied intensely for the Republicans to reject this bill, and succeeded in getting Sen. Pete Domenici (NM) to drop his co-sponsorship. But GOP Senators John McCain (Ariz), Olympia Snowe (Maine), Susan Collins (Maine), and Lincoln Chafee (RI) all voted with the Democrats, as the Administration's control continues to crumble.

The House is not likely to pass the bill.

U.S. Trade Deficit Hits New High in January

Imports of \$132 billion and exports of \$89 billion yielded a record \$43.06 billion deficit in January, topping the previous record of a revised \$42.95 billion last March, as reported by the Commerce Dept. The deficit in goods was even worse, at a record \$48.4 billion, while services produced a trade surplus of \$5.3 billion.

Machine-Tool Consumption Plunges Even Further

U.S. machine-tool consumption in January plunged 23.9% from its depression level in December, as manufacturers were hit by soaring steel prices. U.S. industry consumed only \$161.19 million worth of machine tools in January, up 19.4% from the near-record low of a year ago, according to a joint report by the American Machine Tool Distributors' Association and the Association of Manufacturing Technology, issued March 7. But January machine-tool consumption was down 23.9% from the level in December, which had been propped up by year-end tax incentives. Geographically, machine-tool use fell in all regions of the nation, with the largest drop in the South. During 2003, annual U.S. machine-tool consumption had plummeted 64% from the level in 1997, proof of the urgent need for Lyndon LaRouche's "Super-TVA" policy.

J.P. Morgan Derivatives Expert Steps Down

Another rat is leaving the sinking ship: Tim Frost, for 16 years the derivatives expert at J.P. Morgan, the world's largest derivatives trader, has suddenly left the U.S. investment bank. Frost was key to the development of Morgan's credit-default swap business, and until a few days ago was heading Morgan's credit derivatives business in Europe, headquartered in London. There has been speculation that Frost might now take up a political career in Britain—he ran for Parliament as a Conservative in 1997. J.P. Morgan, which declined to comment, has not yet decided on a replacement for him.

World Economic News

Bundesbank President in Denial: 'No Bubbles Here'

"There are no bubbles in Germany," claimed Bundesbank president Ernst Welteke in hysterical denial of the ongoing

global financial madness. On the sidelines of the G-10 central bankers gathering in Basel, Welteke was asked by a Reuters journalist to comment on the growing concern expressed by some economists concerning the emergence of new asset bubbles that could derail the world economy. Only two weeks ago, European Central Bank chief economist and former Bundesbank official Otmar Issing even raised the question, whether central bankers should now start to "prick the bubble."

However, there is no reason to worry, stated Welteke. He feels "relaxed" on the issue of asset bubbles. Central bankers are alert to market developments. They "look at everything and observe developments." But these talks of threats to the worldwide "recovery" are overdone. "We do not always have to talk about threats," Welteke stated, adding, "There are no bubbles in Germany." Welteke knows quite well that the overall German indebtedness, most of it in corporate sector, has reached 14 trillion euro, while the derivatives exposure of Deutsche Bank has ballooned to an additional 14 trillion euro.

Morgan Chase Moots Takeover Bid for Deutsche Bank

J.P. Morgan Chase would also like to buy Deutsche Bank. According to the German news weekly *Der Spiegel*, J.P. Morgan Chase, which in January bought up Bank One for \$58 billion, has asked Berlin whether it would resist a takeover bid for Deutsche Bank. In early February, Deutsche Bank chairman Josef Ackermann admitted that he has been in serious negotiations with Citigroup. On March 4, Deutsche Bank stock skyrocketed by 9%, to 76 euros, following a rumor from London that Citigroup would imminently present a takeover bid for Deutsche Bank at Eu90 per share. On the same day, Citigroup's new chairman Charles Prince had been visiting the Merrill Lynch headquarters in Frankfurt.

German government sources have indicated that they would not resist a foreign takeover of Deutsche Bank. However, they first want to push through the merger of Commerzbank and HypoVereinsbank to make sure that at least one large, independent commercial bank would stay in German hands. Dresdner Bank, the other of the "top four" German commercial banks, now belongs to Allianz, and is no longer listed on the stock exchange. The only thing that is quite clear at this point is that Deutsche Bank is desperately seeking a foreign takeover, while all the possible candidates for this job are as bankrupt as Deutsche Bank itself.

Deutsche Bank still ranks among the largest banks in the world in terms of derivatives speculation and investment banking. However, the stocks of German commercial banks have crashed in recent years, far more than their foreign competitors. In terms of market capitalization, Deutsche Bank is the only German bank still among the world's top 70 banks. Many U.S. banks, as well as Britain's HSBC (a.k.a. Hongkong and Shanghai) and Royal Bank of Scotland, now each have a market capitalization larger than all German banks combined. Berlin is being told that there are only two alternatives left: Either all the German commercial banks will be bought up from abroad, or the public and cooperative banks, currently accounting for 67% of total German bank deposits, will soon be privatized.

China Maintain Forex Reserves Against Financial Risks

China maintains its foreign exchange reserves primarily to guard against international risks, Guo Shuqing, director of the State Administration of Foreign Exchange (SAFE) and a Peoples Bank of China vice governor, said in an interview with *Xinhua* published March 8. He said that China's forex reserves could not be called "excessive" or "deficient." It is difficult for a national government to set forex targets, he said.

Reflecting the national debate over whether it was China's currency controls, or its foreign reserves that protected it from the financial crisis which devastated the rest of Asia in 1997-98, Guo said that officials of the Republic of Korea said, after the Asian financial crisis, the more the forex reserve a country held, the better. (Of course, China is *not* showing any signs of lifting its currency controls any time soon.)

Guo said, "Provided China was in a serious financial crisis, the country would need perhaps several hundred billion U.S.

dollars, as tens of billions U.S. dollars [in emergency aid] is not adequate as its economic scale is very big." Guo said that there is no lender under the current international financial system that can provide such a huge amount of money. China must depend upon its own efforts.

Guo noted that the "Republic of Korea, Indonesia, Thailand, Malaysia, and the Philippines have increased their forex reserves by US\$160 billion over 1997." China's own forex shot up by \$116.8 billion in 2003, to \$403.3 billion. This was the result of economic performance, not government policy, Guo said.

Unfortunately, Guo went on to claim that "recovery" in the U.S. and other "developed countries" would help ease the pressure on the yuan this year, because this would result in a backflow of U.S. dollars and ease China's excessive supply of foreign exchange.

China is also reducing its trade surplus, he emphasized. Already it has a trade deficit of "several billion dollars" this year.

He warned potential speculators, not to bet on any appreciation of the yuan. Guo noted the risks involved in the fluctuation of exchange rates, and told any potential Chinese speculators on a rising yuan, to be on the alert against risks in order to prevent unnecessary losses. "Betting on RMB appreciation is likely to pay enormous prices," he warned.

China Will Not De-Link Renminbi from Dollar

China is not going to either de-link the renminbi from the dollar, or allow any significant appreciation of its currency any time soon, a very well-informed Chinese banker told *EIR* on March 10. Citing the policy statement of the officials of the People's Bank of China (PBOC), whom he knows personally, the banker said the one change likely to be made, would be a widening of the band in which the renminbi is currently allowed to trade against the dollar.

China has very closely studied, and learned the lessons of what happened to Japan after the Plaza Accord, the banker emphasized. It is clear in Beijing, that the sharp appreciation of the Japanese yen after 1986, caused big problems in the Japanese economy. China does not want to repeat them!

On reports that China might re-peg the renminbi to a "basket of currencies," the Beijing source told *EIR* that this was not the case. The point is, that with all other currencies fluctuating so much against the dollar and each other, this situation could pose constant problems for China. At the moment, it is "simpler" to keep the peg to the dollar.

The recent interview, in the context of the National People's Congress, Foreign Exchange Chief Guo Shuqing—also a PBOC official—emphasized that China would not allow the renminbi to appreciate.

China is keeping a "wait and see" policy on the fate of the dollar. There is a view that the Europeans should take action, and stop the euro's soaring rate against the dollar. But more than that, China is striving to develop its internal economy, and this is the focus, as the current National People's Congress made clear.

United States News Digest

Pentagon: 'Iraqi Casualties Really Don't Count'

A prominent White House correspondent has been attempting to find out how many Iraqis have been killed in the various U.S. operations since the official "end of hostilities" announced by Bush in his famous speech on the aircraft carrier. But

the Pentagon hasn't even been counting the Iraqi casualties. In reply to the reporter's questions, a Pentagon spokesman explained: "We don't act unless we are provoked. And in those cases, the numbers of Iraqi casualties really don't count."

Army Mission in Iraq Won't Change After July 1 Turnover

Brig. Gen. Carter F. Ham, the commander of Task Force Olympia, the 9,000 strong U.S. Army force that replaced the 101st Airborne Division in northern Iraq, told reporters in Baghdad and at the Pentagon via satellite link, on March 9, that he does not expect his security mission to change very much after the July 1 handover of sovereignty to a new government in Baghdad. He said that he would still be getting his instructions from the coalition military headquarters in Baghdad, under the command of Lt. Gen. Ricardo Sanchez. "I don't see that there will be a major shift in security operations post the 30th of June," he said.

McCain Says He Would Consider a Kerry-McCain Ticket

Arizona Republican Sen. John McCain said he would consider running for Vice President on a Kerry ticket. McCain was asked on ABC's "Good Morning America," on March 14, about what Associated Press characterized as "Democrats fantasizing about a bipartisan dream team to defeat President Bush."

"John Kerry is a close friend of mine," said McCain. "We have been friends for years. Obviously I would entertain it." McCain added that "it's impossible to imagine the Democratic Party seeking a pro-life, free-trading, non-protectionist hawk" for their ticket.

Senate Panel Holds Closed Briefings on Terrorism Matters

While several of the Senate committees have been holding high-profile, and confrontational hearings about Iraq and terrorism over the last two weeks, grilling senior members of the Bush Administration, the Senate Foreign Relations Committee quietly held a briefing March 9, on one of the most important policy issues: the "Transition in Iraq." Witnesses included Undersecretary of State for Political Affairs Mark Grossman; the recently appointed Coordinator for Iraq Transition, Frank Ricciardone; and Lt. Gen. Claude Kicklighter, the Coalition provisional Authority's Coordinator of Transition.

One March 8, the same committee held a briefing on Saudi Arabia Cooperation on Counter-Terrorism (a controversial issue since the neo-conservatives in Congress and the Pentagon, back up by "Clash of Civilizations" ideologues, already have a Saudi Arabia "accountability act" in the works). This hearing featured a CIA briefer; Ambassador Cofer Black, who is the State Department's Coordinator for Counterterrorism; Juan Zarate, Deputy Assistant Secretary of Treasury for investigations of terrorist financing; and FBI Counterterror chief, John Pistole. The Committee also heard testimony on anti-terrorist preparations for the 2004 Olympics. A pattern of this many closed briefings is unusual, and none of the testimony is available to the public.

Three 'Paintball' Defendants Convicted, One Acquitted

The final defendant in the so-called "Virginia Jihad," or the "Paintball" case, was acquitted on March 9, after a one-day bench trial in Alexandria, Va. The judge said that prosecutors had failed to prove "beyond a reasonable doubt" that Sabri Benkhala had fought with the Taliban in Afghanistan in the summer of 1999. The judge said that the government had proved only that Benkhala was "very interested in violent jihad."

Last week, three of the defendants were convicted on a number of counts, and acquitted on others. Another defendant was

acquitted by the judge at mid-trial. The main evidence of connections among the men was their participation in "paintball" games, which the Justice Department says represented military training, in their case.

Of the 11 Muslim men (most of whom are American citizens) originally indicted, six pleaded guilty under the threat of decades-long prison sentences; they will probably end up serving only a few years in prison as a result of their guilty pleas. (This is the way that the Ashcroft Justice Department has obtained most of its convictions in "terrorism" cases. A number of them became witnesses for the prosecution against the others—which is also typical of Ashcroft's fraudulent legal "war on terrorism.")

The other five insisted, courageously, on going to trial, even in the face of long sentences. As a result of mandatory-minimum sentencing laws pertaining to weapons, two of those convicted are likely to be given sentences of around 50 years each. None of the defendants were convicted of—or even charged with—involvement in any planned acts of terrorism against the United States.

As some of the defense lawyers, and supporters of the defendants have stated, the Justice Department vastly "overcharged" the case, throwing everything they could at the defendants, on the assumption that some of it would stick—and it did, in the post-9/11 climate of anti-Muslim hysteria.

In a statement read for him, Attorney General John Ashcroft warned darkly: "Today, Americans get a glimpse of what is hiding in the shadows. Terrorists recruit, train, and finance jihad in America." And he boasted that the Alexandria case had produced the largest number of "terrorist" convictions in any single case to date.

Roche Drops Bid To Be Army Secretary

Secretary of Defense Donald Rumsfeld has been trying to get James Roche confirmed as Secretary of the Army, as a supporter of Rumsfeld's Revolution in Military Affairs. Rumsfeld dismissed Secretary Thomas White last year for his objections on the RMA. But Roche, currently the Secretary of the Air Force, is involved in the Boeing scandal, involving his effort to rent 100 Boeing 767s as tankers. The scandal involves an insider at the Air Force who negotiated the deal and then went to work at Boeing, but it also involves Richard Perle, who received a \$20 million investment from Boeing for one of his private business ventures, and also wrote articles supporting the over-priced tanker lease deal, that was being whittled down by Congress.

Sen. John McCain (R-Ariz) has been demanding that Roche turn over his e-mails on the affair, but Roche has refused—thereby losing his bid to become Army Secretary. He will remain as Air Force Secretary—at least, until the scandal blows up.

Wall Street Journal Defends Novak on Plame Leak

The synarchist *Wall Street Journal*, in a March 11 editorial, rose to the defense of columnist Robert Novak's "outing" of undercover CIA operative Valerie Plame. In addition to insisting that Novak didn't violate the Intelligence Identities Protection Act, the *Journal* implied that successful prosecution of Administration officials would be difficult. And it attacked the criminal case, now being investigated by an independent counsel, as a "blow to a free press," blaming Ambassador Joseph Wilson, Plame's husband who blew the whistle on the fraud of the Niger yellow-cake story, for instigating the probe.

The *WSJ* was responding to Wilson's lawyer, Christopher Wolf, who went on the offensive, blasting "the government's deployment of a newspaper columnist to attack administration critics." "Last summer, the administration (and your opinion

pages) embarked on a campaign to impugn former Amb. Joseph Wilson because of his criticism," Wolf charged in a letter to the editor. "He was chosen as a target because he was the first to question the now thoroughly discredited administration claim that Iraqi-held WMDs existed and justified war. This campaign included the administration suggesting to Mr. Novak that one way to undermine Mr. Wilson was to implicate his CIA agent wife. Her identity was protected by federal law and naming her was wrong and probably illegal. For the Journal to wrap itself in the flag of journalistic privilege in the face of such misconduct," he charged, "appears facetious."

Indeed, the *Journal's* argument "is further undermined by the continuation of your personal attacks on both Mr. and Mrs. Wilson," Wolf added.

More important, said Wolf, "the *Journal* does "not even factor in the extent to which CIA operations may have been compromised by the administration-Novak gambit."

Moreover, the current special prosecutor may demand Novak reveal his source, if a test—that the information went "to the heart" of a case, and could not otherwise be obtained—is not met.

Kennedy: Nominations Don't Get Much Worse Than This

That's what Sen. Ted Kennedy (D-Mass) said, on March 11, in a statement explaining why he is opposed to the nomination of Defense Department General Counsel William Haynes, to become a judge on the 4th Circuit Court of Appeals in Richmond.

As DOD General Counsel, Kennedy said, Haynes has responsibility for three policies which suggest that he lacks a commitment to the U.S. Constitution and to the separation of powers between the Executive, Judicial, and Legislative branches of the government. These are:

1. The refusal to treat any of the hundreds of detainees at Guantanamo as prisoners of war under the Geneva Convention;
2. The DOD's scheme for military tribunals, condemned by human rights organizations and America's closest allies; and
3. The indefinite detention of U.S. citizens as "enemy combatants," without access to a lawyer or judicial review.

Kennedy said that Haynes' record is particularly troubling because it is the Fourth Circuit to which Haynes has been nominated. "The Fourth Circuit has also increasingly become the Justice Department's preferred court on controversial cases involving the detention of foreign nationals and other civil liberties issues.... It's critical for this Committee not to confirm any nominee to that court who has shown a willingness to ignore the law in order to reach the results he wants."

Despite Kennedy's protests, the Judiciary Committee voted 10-3 to send Haynes' nomination to the full Senate. Six Democrats voted to "pass" on the nomination.

Hastert Vows Push for Large Highway Bill

House Speaker Dennis Hastert (R-Ill) said Republicans will move ahead with a \$275 billion highway and mass-transit bill next month, almost \$20 billion more than the Administration has proposed. Hastert said he told Bush directly of the challenge at a face-to-face meeting March 10 at the White House.

Moreover, Hastert, who is usually the consummate White House team player, stated that he no longer was dealing with Bush's staff on the transportation issue, because of distrust created by the Administration's lack of honesty in negotiating. "We weren't getting straight answers from his people, and they changed their mind in the middle of the process," he declared in a striking display of frustration, at a March 11 news conference. "So we are going to do what we feel we need to do," he added.

Ibero-American News Digest

Venezuela's Chavez Threatens 100 Years War in Ibero-America

On March 7, the psychologically unstable President Hugo Chavez of Venezuela devoted his weekly Sunday TV broadcast to a five-hour diatribe, denouncing what he portrayed as the Bush Administration's role in attempting to overthrow his government. Chavez warned that "Venezuela is not Haiti, and I am not Aristide"—in reference to the heavy-handed U.S. removal of Haitian President Jean-Bertrand Aristide from office. Chavez threatened that, in the event of continued U.S. interference, his "Bolivarian revolution has enough allies on this continent to launch a Hundred Years' War, and not just on Venezuelan territory."

Chavez is unbalanced, but this is not an idle threat. According to representatives of Haiti Progress and the Haiti Support Network, who recently met with the deposed Aristide in the Central African Republic, the Bush Administration removed Aristide from power at the point that "Venezuela was in discussion about sending troops to support Aristide." Chavez has also developed a strategic alliance with Colombia's FARC narcoterrorists, Bolivian and Peruvian coca-grower insurgents, and other armed Jacobin movements across Ibero-America.

The latest phase of the crisis in Venezuela emerged from the collapse of a year-long effort by anti-Chavez forces there to force a recall vote against the President, when the National Electoral Council ruled that the opposition had not collected enough signatures, as we reported in last week's Digest.

With the ruling on the petition signatures, the splits in the opposition *have* deepened, with one faction urging continued appeals to the Supreme Court to overturn the Electoral Council, and another calling for nationwide civil disruptions, to the point of ultimately provoking a Haiti-style intervention by U.S. Marines, and Chavez's ouster. Thus, a left-vs.-right civil war is taking shape in Venezuela—with both sides being run by international synarchist financial circles.

Dangerous 'Debate' Triggered by Huntington 'Hispanic Threat!'

As intended, "Clash of Civilizations" promoter Samuel Huntington has set off a heated "debate" over whether there is a "Hispanic Threat!" to the United States. The Carnegie Endowment for International Peace's *Foreign Policy* magazine kicked off the campaign with its splashy March/April cover story on Huntington's latest thesis: that the new enemy image for the U.S. is its largest minority, the 15% of its population who are Hispanics. (See Indepth, EIW #10).

Business Week's March 15 cover screams: "Hispanic Nation. Hispanics are an immigrant group like no other. Their huge numbers are changing old ideas about assimilation. Is America ready?" The article purports to be an "independent" take on the Hispanic "problem," but it rehashes the absurd "arguments" Huntington employed. Such as: Are people who speak two languages fluently, rather than only English, real Americans? In its own small contribution to preparing race war, *Business Week* features data showing that "Latinos" are being hired more than black Americans, acknowledging that Hispanics' "willingness to work for less pay may play a role in their faster hiring rate." (Average weekly earnings of Hispanics are 15% less than what African Americans make, and 31% less than whites, *Business Week* reports.)

London's *Economist* magazine thinks Huntington "has some serious points on his side," but warns that "the cost of closing the borders would be far bigger than keeping them open, by starving the economy of some of its most energetic workers." These immigrants are, after all, "a wonderful source of cheap labour."

A healthy tirade against Huntington's "pseudo-academic xenophobic rubbish," written by the *Miami Herald's* Andres Oppenheimer, was published as an op-ed in a number of Knight-Ridder papers around the country, however. Oppenheimer suggested national protests be held against Harvard University and Simon & Schuster (publishers of Huntington's new book *Who Are We? The Challenges to America's National Identity*).

Castaneda Rides Waves of Mexican 'Videogate' Scandals

Televised "exposes" of a Democratic Revolutionary Party (PRD) leader stuffing dollar bills into suitcases, and another gambling in a Las Vegas casino, hit Mexican airwaves in the first week of March, setting into motion a wild frenzy of corruption charges and counter-charges, which now dominate the "news" and commentary in Mexico.

The question to ask is: *Cui bono?* The answer appears to be: Those forces out to blow up the Mexican political class, which has stubbornly refused to pass Wall Street's economic reforms (privatization of energy, a value-added (VAT) tax on food and medicine, etc.) That includes George Soros's pet Presidential candidate, Jorge Castaneda, whose campaign theme has been that Mexico's political system must be ripped apart, before economic reforms can be rammed through.

Center for Strategic and International Studies (CSIS) analysts interviewed by the Mexican daily *El Independiente*, argued that political life in Mexico has become scandal-ridden and frivolous, because the economic structural reforms have not been implemented. President Vicente Fox's Secretary of Government, Santiago Creel, used the corruption scandals to argue, like Castaneda, that before attempting "structural reforms," there must be a reform of the state and "the political system," which he charged has "conspired" to block the kind of dialogue necessary to get economic reforms passed.

Visiting Monterrey on March 3—where he was confronted by the LaRouche Youth Movement once again—Castaneda came out swinging that the corruption scandal demonstrated the need for reforms of the institutions, and for "citizen candidacies," because the political parties have been "discredited." His opportunism was such, that one of Nuevo Leon state's best-known journalists, Gilberto Marcos, asked him: "Where do you place yourself in the scandals?... Could it be that they benefit you?" Castaneda replied coyly: "I wish I was intelligent enough to have planned this."

Mexico's "Mr. Anti-Corruption" then met at the end of the week in Miami with Venezuelan billionaire Gustavo Cisneros, the same billionaire who frantically went to a corrupt Venezuelan court to ban circulation of *EIR's* Spanish-language edition of *Dope, Inc.* in 1985, because it contained a chapter detailing Cisneros's ties with international drug-money laundering interests. Both were in Miami for a big Ibero-American policy conference sponsored by the glitzy *Poder* magazine. Cisneros—who has his own Presidential ambitions in Venezuela—reportedly welcomed Castaneda as "the next President of Mexico."

Bush Team: No Army; No Donors Conference for Haiti

"There is no need for a Haitian Army. I was here when President Aristide disbanded it, and that was the correct thing to do at the time," U.S. Southern Command chief Gen. James Hill stated, "forcefully," during a tour of Port-au-Prince March 5. So much for former State Department officer Lawrence Pezzullo's suggestion, the previous week, that mid-1990s plans to use the military as an engineering corps be revived.

State Department spokesman Ereli stated at the March 5 briefing, that he hadn't heard of anyone raising the idea of

convening an international donors conference to drum up aid for Haiti. "I don't see a concerted effort on that idea.... It's not something under active consideration right now."

What is being worked on, with great energy, is getting the Haitian Coast Guard back in shape, so it can stop Haitian refugees from leaving by boat. According to Associated Press, the Bush Administration told Congress that it will pay the salaries of the Haitian Coast Guard for up to three months, and repair damage to its facilities. The Deputy Chief of Mission for the U.S. Embassy paid a visit to Coast Guard headquarters, "to assess the security situation for the anticipated return of asylum-seekers intercepted at sea."

Coast Guard salaries shouldn't be much of a drain on the U.S. Treasury. Dr. Philippe Desmangles, a surgeon at Port-au-Prince's only "well-functioning" hospital, Polyclinique Centrale, reported to the *New York Times* that he is "one of the best paid doctors in the country," making about \$45 a week. Dr. Desmangles bitterly noted that U.S. Marines deployed into Haiti had "secured an empty palace," but provided no security for the hospital.

Lula Pleads with World Leaders: Get the IMF To Ease Up

Brazilian President Lula da Silva spoke by phone with British Prime Minister Tony Blair for 25 minutes on March 6, and met with the Prime Minister of Portugal, Durao Barroso, on March 8, during the latter's visit to Brazil, urging each to help change IMF policy, before Ibero-America blows sky-high. According to *Jornal do Brasil* March 5, he began calling world leaders on this theme on March 2, and has spoken with the heads of state of the U.S., Spain, France, and Germany, plus the above two. It is reported that he intends to call Italy's Prime Minister Silvio Berlusconi next.

According to Lula da Silva's International Advisor, Marco Aurelio Garcia, in the latest two discussions, Lula asked both leaders to help not only Argentina, but the countries of the region as a whole, who need to be allowed to develop. "We have other countries which are facing difficulties also. Peru and Ecuador are being harshly penalized. They are paying what they cannot," Garcia said.

Brazil is proposing two changes in IMF policy with developing countries:

- (1) that "productive investments" by public companies, states, and municipalities be excluded from the calculation of primary budget surplus (revenues minus all expenditures except debt service)—i.e., to make those investments a priority over debt payments; and
- (2) that some kind of "preventive insurance" credit line be established to protect developing countries from external crises.

Lula's Party Demands Economic Reforms—'Without Adventures'

A statement, issued by Brazilian President Lula da Silva's Workers Party (PT) National Executive Committee, following a meeting between Congressional and party leaders in Sao Paulo on March 5, bravely states: "The PT is the party of economic growth, of income distribution, employment generation, and social inclusion. We are going to work tenaciously so that the government implements the measures necessary for 2004 to mark the beginning of a new and sustained cycle of economic and social development in the country, through changes in economic policy necessary for the implementation and consolidation of all our social, economic and administrative programs, and of development."

Municipal elections next October are looming, and the PT has been dealt a double blow: record unemployment and income drops in Lula's first year of office, followed by a corruption scandal involving party officials on the take from the numbers racket.

Already nervous about Argentine developments (see InDepth this week), Lula reportedly lit into the party leadership, and PT national president Jose Genoino issued a "qualifier." The PT wants changes, but without "adventures or ruptures," Genoino said, in an interview posted to the party's website. Now the watchword has become that changes in "microeconomic" policy are needed, but not in the "macroeconomic" policy which has been so "successful." Which translates into not touching debt payments, or the IMF's primary budget surplus which is killing the country. So much for PT "tenacity."

Western European News Digest

France Alarmed by Post-9/11 FBI Role in Europe

In the aftermath of Sept. 11, France and Europe granted the FBI and associated agencies important powers in Europe. The online daily *Reseau Voltaire* March 9 continued its focus on the friends of the U.S. neo-cons in the French government, and has disclosed that the judicial reforms recently adopted in France under the title of Perben II, dramatically strengthens laws to deal with "organized bands," suggesting serious criminality or terrorism, were negotiated with U.S. Attorney General John Ashcroft after Sept. 11, and were aimed at allowing the FBI to extend its investigations into France.

On March 9, *RV* denounced similar developments across Europe, which refer back to Oct. 16, 2001, when President Bush proposed a series of measures for legal cooperation to all the heads of state of the Council of Europe, i.e., all EU heads of state. The Council of Europe responded favorably, and, on June 25, 2003, an "Agreement for Legal Aid" was signed between the EU and the U.S. To celebrate, a European delegation led by EU President Romano Prodi and Greek Prime Minister Constantine Simitis, and including numerous commissioners and EU ministers, went to the U.S., where the treaty was received by Bush, Ashcroft, and other members of the Administration.

The treaty was concluded on the basis of Article 14 of the European Union Treaty, but was never brought before the national parliaments for ratification—which is entirely illegal. The agreement "legalizes" FBI intervention on European territory, including for infiltration operations in the context of the fight against terrorism, organized criminality, and drug traffic. The agreement merely requires that the U.S. Attorney General inform his counterparts of ongoing operations. The article notes that since Ashcroft created the concept of "judicial intelligence," bringing into collaboration the FBI with American secret services, such rights extended to the FBI also means extending them to the other agencies.

U.S., Britain To Conduct Joint Anti-Terror Exercises

British Home Secretary David Blunkett arrived in Washington on March 7 for meetings with Bush Administration officials on setting up a simulation exercise between the two countries on a scenario based on simultaneous terrorist attacks in both. Blunkett, who has proposed such things as lowering the burden of proof in court cases involving terrorist suspects, allowing bugged telephone conversations to be used as evidence, and using special judges to hear cases involving sensitive intelligence, was to make a speech in Washington on "balancing national security interests and democratic freedoms."

Rifkind Blasts Blair on Iraq Intelligence

Malcolm Rifkind, a Defense Minister and Foreign Secretary in the previous Conservative governments, blasted British Prime Minister Tony Blair for taking Britain into the Iraq war, "on a false prospectus." In a commentary in the *Independent* March 7, Rifkind urged that no government ever again publicly release intelligence material in order to make a case for war. Referring to Blair's infamous September 2002 dossier, Rifkind wrote that when he was in the government, he had access to top secret documents for five years. "Neither I nor any previous Labour or Tory minister would have dreamt of

publishing material in the name of the Joint Intelligence Committee. That would have been to politicize the JIC on an issue that divided the nation."

German Exports to China, Russia Grow; Those to U.S. Fall

A preview of official export statistics for 2003 shows that German exports to Asian, Eastern European, and Eurozone countries continued to increase moderately, whereas exports to the United States saw a considerable drop.

The most spectacular single increase was reported in exports to China (up 24.9%), and to Russia (up 6.5%); EU member countries imported 3.5% more from Germany. "EU plus 10" (the expanded EU from May 2004 on) accounted for an increase of 3.8%. Exports to the United States dropped by 9.7%.

Generally, market dependency on Europe increased for Germany, which sold 55.5% of its exports to the European Union, and 64% to the EU plus 10. All in all, the Eurasian Land-Bridge countries played an increasing role for German exporters, in 2003.

Deindustrialization of Berlin Accelerates

The productive sector of the Berlin economy, which 14 years ago still employed way above 400,000 citizens, is down nearly to 100,000 jobs, now. In the course of 2003, another 5,000 jobs got axed, bringing the productive workforce of the city—which has a total population of 3.4 million—down to only 107,000.

The de-industrialization process is also accelerating: in the first six months of 2003, the monthly loss of industrial jobs was at about 4%, whereas in the second half of the year, it was between 4.5 and 5.4%.

And with the exception of the BueSo, no other political party seems interested in investing any thinking into plans for re-industrializing the capital of Germany. The other parties have basically accepted that if there are any new jobs in Berlin, they will be in the servicing economy, notably in the entertainment and media sectors. The BueSo, with a crucial input envisaged from the LYM, is beginning to work out a program for creating several hundred thousand new jobs in Berlin, with new productive capacities established in the transport, electrotech, aerospace, power sectors, and in industrial R&D. Maglev would feature prominently in transport, naturally.

Brits Nervous Over Argentine 'Victory' Over IMF

The nervous British press is bemoaning the "victory" of Argentina's Kirchner government over the International Monetary Fund, the dire state of the IMF, and the likelihood that other countries will follow in Argentina's footsteps.

The London *Times*' foreign editor Bronwen Maddox has a feature article March 11 entitled, "Argentina Deals Another Heavy Blow to Credibility of IMF," which begins by characterizing what has just happened, as "a victory for President Nestor Kirchner," and "an embarrassment for the International Monetary Fund.... The outcome of the game of chicken shows the weakness of the IMF's position."

Reviewing some of the apparent outcomes of the Argentina-IMF negotiations, she says "it was far from clear yesterday that the Fund had won any concessions from Argentina on the main sticking point: how much it should pay back to private creditors owed more than \$80 billion...." Maddox growls: "It is a sign of the Fund's generosity to Argentina, that it has agreed to say that it passes the test of negotiating 'in good faith' with those creditors."

The theme running through much of the article, is that the situation the Fund finds itself in, is the fault of just-departed Managing Director Horst Koehler, "mistakes largely made on Koehler's watch," essentially that he kept lending big sums to money to Argentina. That said, she indicates a main fear of leading people in London, i.e., that other countries will follow Argentina, now that the Fund's "credibility" has been badly damaged: "There is no question that the Fund's perceived softness towards Argentina has undermined its reputation. Other governments such as Brazil and Turkey, which have been helped recently with big IMF packages, are looking on with interest at the leniency shown to Argentina."

German Economy Will Be Gone, Before Highway Toll System in Place

A discussion with a senior Central European source on March 9, provided insights into the massive interest which the German elites are investing in making the much-delayed new toll system work. The fact that German Chancellor Gerhard Schroeder personally convened top officials of the leading firms of the Toll Collect consortium, to push through an agreement the previous week, tells how urgent the introduction of the system is seen.

Toll Collect, a satellite-based electronic system that was expected to extract several billions of euros annually of highway tax from truck and car drivers, was designed to compensate for the ongoing drastic drop in tax income from traditional sources, and also to serve as entry into an entirely new system of taxation, an electronic control of the population's daily communications in the post-industrial future.

The inevitable side-effects of post-industrial priorities have, however, prevented the top firms of German "industry" that produce Toll Collect, like Daimler-Chrysler, from coming up with a feasible technology in time, so that all crucial deadlines for the introduction have been missed, since August 2003. If, as the consortium promised Schroeder, the system should finally be completed, next year, it will arrive too late for Germany. Neither will the system be able, then, to compensate for the big hole in tax revenues, which will have emerged by then, nor to serve as a sound new taxation system in an economy, the collapse of which is in full swing already, anyway.

Russia and the CIS News Digest

Putin and Fradkov Unveil Streamlined Government

Efficiency and consolidation, rather than the announcement of policy changes, were on the agenda as Russian President Vladimir Putin and newly confirmed Prime Minister Mikhail Fradkov introduced the reorganized Russian Cabinet of Ministers on March 9, only five days before Putin stands for reelection. The Russian government will consist of just 17 ministers, including Fradkov and one Deputy Prime Minister, economist Alexander Zhukov, who was a deputy speaker of the State Duma. The old cabinet had 30 ministers.

Some of the best known figures in charge of Russian economic policy in recent years are staying on, some with expanded authority. They include German Gref at the Ministry of Economic Development and Trade (MERT), Alexei Kudrin as Minister of Finance, and former Deputy Premier Victor Khristenko, who will now head the Ministry of Industry and Energy (MIE). Also keeping their jobs are Minister of Defense Sergei Ivanov, Minister of Internal Affairs Rashid Nurgaliyev, Justice Minister Yuri Chaika, and Emergencies Minister Sergei Shoigu.

Ex-Foreign Minister Igor Ivanov is widely described as "retiring" from that position, although now he will head the Security Council. Fradkov made a point of saying that the new Foreign Minister, Sergei Lavrov—Russia's Ambassador to the United Nations for the past 10 years—was selected in consultation with Ivanov.

Close Putin aide and legal expert Dmitri Kozak, whom Putin identified as a main author of the reorganization, moves from

the Presidential Administration to the post of Chief of Government Apparatus, with ministerial rank. The Government Apparatus, Putin said, "should turn from a parallel, shadow government, into an effective and modern administrative instrument." In their televised remarks, Putin and Fradkov both stressed that increased "personal responsibility" and accountability of the ministers are a central part of the design.

The health and labor ministries are consolidated into a Ministry of Health and Social Development under Mikhail Zurabov, until now head of the Pension Fund. Three ministries dealing with infrastructure—Transport, Rail, and Communications—are merged into a single Ministry of Transport and Communications, with new leadership: Igor Levitin, who in recent years has worked for the giant steel company, Severstal, and earlier was military commandant on the Baikal-Amur Mainline rail project. Alexander Sokolov, Rector of the Moscow Conservatory, will head a new Ministry of Culture and Information, subsuming the former press and culture ministries. Former Minister of Science and Technology Andrei Fursenko becomes Minister of Education and Science, eliminating the separate education ministry. There is a single, combined Ministry of Agriculture and Fisheries.

The former ministries for energy and atomic energy will now be part of Khristenko's MIE—the main agency for the "real economy," as Fradkov said, including much of the defense industry. The MERT, under Gref, will take over the former tax collection and state property ministries. Also eliminated is the Ministry of Antimonopoly Policy, whose functions the Prime Minister will oversee directly.

The Governor of Perm Oblast, Yuri Trutnev, has been brought in as Minister of Natural Resources.

Threats Against Glazyev, Khakamada Attributed to Berezovsky

Russia's Presidential elections will take place March 14, and President Putin went on the air March 11 to urge citizens to turn out and vote, but Russian media also highlighted a nasty side of the campaign: threats to the lives of candidates Sergei Glazyev and Irina Khakamada. The story originated with the Italian newspaper *La Stampa*, which interviewed Vladimir Solovyov, an ex-journalist with NTV, who had visited financier Boris Berezovsky in his place of exile—London—last December. According to Solovyov, Berezovsky, who is fanatically committed to overthrowing the Putin regime, told him, "We need a victim. This must be a well-known person, whose death would shock public opinion. He should become an icon for the opponents of the regime."

According to account of the *La Stampa* interview carried on RTR Russian state television, Solovyov said he was sure Berezovsky meant a Presidential candidate, and that the disappearance of Ivan Rybkin (who subsequently dropped out of the race) really was a kidnapping, scripted to end in his murder. Said Solovyov, "I decided to disclose the details of this conversation for only one reason. Today, the lives of two other Presidential candidates, Irina Khakamada and Sergei Glazyev, may be in danger."

The warning, or threat, from Solovyov was picked up and broadcast by RTR, and featured in sensationalist fashion on Strana.ru and other Russian web sites.

Neocons Attack Putin as New Stalin

The Foundation for the Defense of Democracies, a neo-con haven, has published ads and op-eds calling Russian President Vladimir Putin a new Stalin, and defending jailed oil man Mikhail Khodorkovsky. The full-page ad in the March 11 *Washington Post* has a picture of armed soldiers in ski masks, as "the new face of Russia." Quoting Sen. John McCain (R-Ariz), it accused Putin of a "creeping coup against the forces of democracy," starting with the "arbitrary arrest" of Khodorkovsky, who was "leading the way toward transparency and openness before being jailed."

The Foundation includes Newt Gingrich, James Woolsey, Bill Kristol, and Richard Perle. On the day the ad appeared, the Foundation's President, Clifford D. May, had a column in the Scripps Howard News Service, also referencing McCain: "'A Creeping Coup'—Is Russia heading back to the USSR?" He notes that McCain and Sen. Joe Lieberman (D-Conn) have a bill calling on Bush to throw Russia out of the G-8, until Russia "demonstrates its commitment to the democratic principles that unite all other members of the G-8."

Russia Seeks Increased Steel Export Quota to EU

Some particulars of the trade quota increases sought by Russia as the European Union gains 10 new members, are highlighted by John Helmer in a March 9 *The Russia Journal* article titled "Fradkov's First Test, The EU's First Cut." A Russian steel industry source told Helmer, "Currently, in the working negotiations the quota [proposed by the EU] for Russia equals 1,266,000 metric tons." This would be the ceiling on Russian steel exports to EU members. "We insist on expanding this quota by 450,000 to 500,000 tons," the source said, "This amount is approximately equal to the Russian export volume to the 10 countries joining the EU in May."

At a recent steel industry conference in Rome, Helmer reports, EU steel official Roelof Plijter said that the only additional Russian steel volumes to be allowed in 2004 would be those for Russian steel companies Severstal and Mechel to supply the plants they own in incoming EU members Latvia and Lithuania. Thus, "If the EU allows only for the Severstal and Mechel volumes totaling 161,000 tons, then the proposed new EU quota will fall about 300,000 tons short of the Russian position. For Fradkov to agree would oblige the government to accept a cut of 65% on last year's Russian exports to the ten new accession countries. Industry analysts who have examined projected growth of production and consumption of steel products in the expanded 25-member European Union suggest that this gap will be filled by producers from western Europe. In short, the Russian steelmakers believe they are being further shut out of the European market by lobbying from non-competitive European rivals."

Kazakstan Plans New Eurasian Railroad

A new rail line will connect China to Europe, Vice President of the Kazakstan National Railway Company Kanat Zhangaskin announced in Hong Kong March 11. Construction of the project will begin this year, and should be completed in four years, at a cost of \$3.5 billion. Zhangaskin is seeking international investors to support the project. The new rail line, will run 3,083 kilometers inside Kazakstan, Zhangaskin said, and will cut transport time by comparison with existing routes.

The new railway will use international standards, and will connect all the existing rail lines. "After completion of the railway, a container from Hong Kong and other places in China can be directly transported to Europe," Zhangaskin said. He estimated that the annual transportation capacity of the railway will reach 40 million tons, and transit cargo flows between China, Iran, and Turkey, could be worth \$2 billion a year, and for all Asian and European countries, the cargo flow will reach \$7 billion a year.

Mideast News Digest

Mubarak Rejects Anglo-American 'Democracy' Reforms

Egyptian President Hosni Mubarak told British Prime Minister Tony Blair that any "reforms" imposed in the Middle East, from the outside, will only unleash anarchy. Mubarak, who has visited Rome and Paris, was in London to meet Blair, March 8. An Egyptian Embassy spokesman, Ayman al-Kaffa, said, "The President reiterated that any modernization has to stem from the traditions and the culture in the area. There is no magic wand that you can use to bring democracy overnight

and definitely it cannot be dictated."

Mubarak's short, private meeting with Blair, dealt with the Greater Middle East Initiative, which the U.S. is planning to push through at the upcoming G-8 meeting in June, to impose a "Helsinki" for the region. In an interview with the Italian daily, *Corriere della Sera*, cited by the British *Guardian* March 8, Mubarak had pretty tough words for the initiative: "If the American reform plan is not studied very carefully, we could plunge into a spiral of violence and anarchy which will not only affect us ... and then it's good-bye to any glimmer of democracy in the Arab world." He also said the Israeli-Palestinian conflict was priority: "Making reforms but ignoring the Palestinian issue, which is at the center of everything, will not produce the desired stability ... like it or not."

Reportedly, the U.S. draft has been circulated to the G-8 governments, but not to the intended victims in the Arab world. However, a copy was leaked to the London-based Arabic newspaper *Al Hayat*, in February, and Jordan, like Egypt, is making clear that the MEDI is unacceptable (see next item).

***New York Times*: U.S. Mideast Initiative May Be Dead**

Is the Greater Middle East Initiative dead? On March 12, the *New York Times* reported that the Bush Administration, in response to protests from Arab and European leaders, is setting aside its plans to push for the adoption of its Greater Middle East Initiative, at the G-8 meeting in June. So as not to give the impression of "dictating" reforms from the outside, the G-8 will instead endorse reforms already underway in the Middle East.

Echoing Mubarak's warning to Blair (see above), Jordan's Foreign Minister Marwan Muasher said that Powell had told him, in a meeting between the two, that the G-8 will not adopt the proposal. Referring to the draft GMEI published in *Al Hayat* in February, Muasher said, "Our objective is for this document never to see the light."

An unnamed Administration official told the *New York Times* that the *Al Hayat* draft is considered to be dead.

When a reporter asked about this subject at the March 12 State Department briefing, spokesman Richard Boucher would not deny the *Times* report, but defensively added, "We're not toning down or muffling our calls for political reform or modernization in the Middle East.... We've made very clear how important we think reform and modernization is to the region and, in fact, we're listening very carefully to all the voices in the region of the people themselves who are talking about it."

Boucher said that the G-8 leaders are discussing the Initiative, but, there may a different document produced, that "will be framed, though, in the way that we've talked about, and that is to support the efforts of countries in the region."

***Al Hayat* Shows Mideast Initiative Is Blueprint for Resource Grab**

The Greater Middle East Initiative draft, leaked to the London-based, Arabic-language *Al Hayat* in February, provided Arab governments with a view of what was being planned by the Bush Administration and the G-8. The text of the draft had been circulated to G-8 governments (the U.S., Britain, Canada, France, Germany, Italy, Japan, and Russia), but not to the "victims" in the region, and for good reason: It is a blueprint for wholesale takeover of the resources of the region, especially the financial resources, and opening up the still largely state-controlled economies to large-scale looting.

Excerpts from *Al Hayat's* publication of the GMEI are translated here:

The real problem [in the Middle East] is with the economy, as the UN Development Program (UNDP) study on the Arab

world, showed, and therefore we must enhance economic opportunities. To bridge the gap between the Greater Middle East (GME) economies (which include the Arab world, plus Pakistan, Afghanistan, Iran, Turkey, and Israel), requires an economic shift similar in scope to that implemented for the former communist Eastern Europe. The aim is to free the potentials of the private sector in the region, particularly small and medium industry, which makes up the driving force of economic development and employment. Also, the development of the professional class in the business sector is an important element in democracy and freedom.

The proposal is that the G-8 should adopt the following steps:

Initiative for financing growth: This involves financing small projects, through the World Bank, especially for women. The sum of \$500 million is mentioned.

The creation of GME financial institutions which would work on the model of international financial institutions, to help the development of small and medium-size business projects to promote the further integration of the business sector. This should be led by a group of leaders of the private sector of the G-8, who would provide their expertise.

A GME Development Bank: The G-8 and creditors from the GME could establish an institution similar to the European Bank for Reconstruction and Development, to help the countries which are willing to make reforms, and provide them with the basic needs for development. Resources should come from the richest countries of the region, and be allocated for education, health care, and basic infrastructure projects. Decisions to give credit to countries should be linked to their ability to implement real reforms.

Partnership for a better financial system: In order to reform the financial services in the region and enhance the integration of these countries into the international financial system, the G-8 has the capacity to offer its participation in processes of reforming the financial systems of the advanced countries of the region. The purpose of this participation is to liberate financial services, by giving financial and technical advice.

The focus is on five aspects:

- 1) implementing reform plans which would reduce the control of the State over financial services;
- 2) removing all barriers imposed on financial transactions between countries;
- 3) modernizing banking services;
- 4) providing, improving, and expanding the financial instruments that support market economies; and,
- 5) establishing the organizational structures that support the liberating of financial services.

Contract for Chalabi-Linked Neo-Con Slush Fund Cancelled

A "mini-Halliburton" deal, linked to Ahmad Chalabi, the discredited Iraqi quisling, being kept in power in the Iraqi Governing Council by Vice President Dick Cheney's neo-cons, has been exposed, and its \$327 million contract with the U.S. Army for reconstruction, cancelled.

A \$327-million Iraq "reconstruction" contract awarded to Nour USA and its offshoot, Erinys Iraq, has been cancelled by

the Pentagon, the Washington Post reported March 11.

The contract has been under investigation for several weeks, after Chalabi bragged to the London *Telegraph*, that it didn't matter if intelligence on Iraq was untrue, because "we got what we wanted." Chalabi's INC is under investigation for having provided faulty and fabricated "intelligence" to the Pentagon and the Bush Administration, in order to start the Iraq war.

The INC role, in league with an as yet publicly unnamed Pentagon office, which pays the group millions of dollars for the "Information Collection Program," is analogous to the scandal which rocked the Tony Blair government in Britain over charges of a "sexed-up" dossier justifying a war against Iraq.

The official reasons for the contract cancellation, the *Post* said, are "vague contract language, missing paperwork, staff turnover, and general instability," but there is more involved.

Investigations into Nour USA, show decades of connections between Chalabi, a convicted bank embezzler (for looting his own, Jordan-based Petra Bank in 1992) and the owner of Nour, A. Huda Farouki, a Virginia-based businessman, who received funds from the Petra Bank, before Chalabi looted it.

The details of Nour USA, which was set up only in May 2003—about six weeks after the Iraq war began—also show connections to British and South African mercenaries, and members of Chalabi's "Iraqi Free Force" army, a group of 700 soldiers of mysterious origin, who escorted Chalabi—reportedly on orders of Dick Cheney—into Baghdad while combat was still going on.

According to an article in *Newsday* Feb. 15, by Knut Royce, Chalabi got \$2 million in fees to help arrange the Nour USA contract with the Pentagon. The original contract was actually awarded to a private security company, Erinys Iraq, that allegedly hired apartheid-era white veterans of South African military and security services to protect the oil pipelines in Iraq. The contract bid was so low, that other competitors, including a Polish company, were not able to compete. Royce reported that one former U.S. Pentagon official explained that "it's the oldest game in the Middle East," where the contractor is told by his "patron" to "low ball" the bid and get it. The patron then promises to iron out the wrinkles, later.

Like the Halliburton fuel-overcharge case, Nour USA could also end up becoming a referral for criminal investigation.

Ritter: U.S. Should Pull Out of Iraq

In an March 9 interview with the German paper *Junge Welt*, former U.S. Weapons Inspector Scott Ritter called the current debate over WMD in Iraq "political theater." "We have several actors. There's David Kay. If anyone believed even for a second that his statements were those of some independent, objective observer, he is sadly mistaken. David Kay is an ideologue, not a technical expert. The Bush Administration picked him out, in order to do a job in Iraq which had nothing to do with seeking the truth." Kay was supposed to bend facts to his purpose, and that's why he said for a while, he thought he'd find WMD. Until December 2003, when he had to admit there were none. And Kay laid the blame elsewhere. "Not the President is guilty, he says, but the intelligence people."

"Then came the entrance of George Tenet. The CIA director said: 'We never said, there was a real threat, that's a classic case of politicians who drew extreme consequences from the facts that we delivered to them.' Note well," Ritter continued, "that there was no angry reaction after that from the White House, neither to Kay nor to Tenet. Instead, the President invited Kay to dinner." And, then, set up the commission, whose findings should come not before 2005, after the elections.

Asked how he thought the U.S. could restore its lost credibility, Ritter was very direct, saying there is only one way. He

said everyone is asking how many war dead we need this time, how many names engraved on Iraqi war memorials, etc. Then: "We will not win this war. This war is already lost. My solution is, then: Pull the troops out immediately! Consider Iraq like a burning nation, from top to bottom, east to west. The oil that is fuelling this fire, is the presence of American troops. In order to put out the fire, we have to cut off the oil."

Asia News Digest

China To Help Pakistan on Nuclear Power Plant

According to Liu Jianchao, spokesman for the Chinese Foreign Office at a weekly news briefing for the reporters, China will help Pakistan to develop the Chashma Nuclear Power Plant-Phase II, near the port city of Karachi. He said China-Pakistan cooperation for development of the nuclear power plant is purely for peaceful purposes, and it has nothing to do with transfer of nuclear technology for weapons manufacturing.

The two countries had signed a Memorandum of Understanding last year for setting up another 300-megawatt nuclear power plant in Pakistan to be called Chashma-II.

Spokesman Liu said the details of the cooperation are being worked out between the relevant departments. It was also agreed that the technology for power generation would not be transferred to any third party.

LTTE Split Worries Some in Washington

Following the split of Sri Lanka's Liberation Tigers of Tamil Eelam (LTTE) into northern and eastern factions, Tiger chief V. Prabhakaran has officially "dismissed" the rebel Eastern Commander V. Muralitharan, a.k.a. Col. Karuna, and has appointed Ramesh to head the Eastern Command.

Reports indicate that Ramesh is making moves to gain control of the Batticaloa-Amparai districts in the east, and punish Karuna, who claims that Prabhakaran has sent death squads to assassinate him. However, it is evident that Karuna is no pushover and that the 6,000 LTTE troops he commands continue to support him.

The split occurred on a existing north-south division between the LTTE cadres. A majority of LTTE members come from the northern Jaffna peninsula, and the easterners claim that the northerners enjoy benefits of all kinds, depriving their eastern brothers and sisters.

But, there is more to it. At this time, the Sri Lankan government is happy that the Tigers are split, and it is likely that both Sri Lanka and India would do their best to protect Col. Karuna. At the same time, Colombo, scheduled to re-open peace talks with the LTTE through Norway, following the country's parliamentary elections scheduled for early April, has no choice but to recognize the Prabhakaran faction as the real LTTE.

On the other hand, the split may worry some in Washington, were working through Norway to help Prabhakaran get an autonomous Tamil group comprised of northern and eastern districts. Their interest is in securing a naval base in Trincomalee, considered the best deep-water port in Asia, located on the eastern coast. The split has put the Trincomalee port area under the control of Col. Karuna.

China Crack Down on Foreign Banks' Renminbi Speculation

The China Banking Regulatory Commission (CBRC) will demand twice-yearly operations reports of foreign banks' branches in China. Before the foreign banks only had to report on their global operations. By October 2003, there were 62 foreign-invested banks in China.

"This has posed a challenge to continued effective supervision, and requires regulators to be clear about every foreign bank's overall operations and risk levels, and properly assess their business strategies and risk management capabilities," said the CBRC spokesperson. As of December 2003, about 40% of foreign bank offices could provide Chinese currency services, increasing their economic influence in China.

These foreign-owned banks have been heavily increasing foreign loans in China. They borrowed US\$58.6 billion in foreign loans in the first nine months of 2003, to lend to foreign companies in China, which made up 81% of China's total new foreign liabilities!

These were mostly short-term debts, making forex regulators suspicious that the foreign banks were speculating on a revaluation of China's renminbi. This process has been driving dollar inflows into China, pushing its foreign-exchange reserves to unprecedented levels and fuelling monetary expansion last year, reported *Xinhua* March 9.

Will China Avoid Trap That Caught Ibero-America 20 Years Ago?

China should not allow itself to get caught in the same trap that Ibero-American countries did 20 years ago, a National People's Congress deputy from Guangdong province wrote in *People's Daily* on March 9.

China is in a "period of strategic opportunity," wrote Fu Hanxun. Since the 1980s, countries such as Brazil and Argentina, striving to expand their GDP, allowed all-out transfer of U.S. and EU processing industries, but, by not passing and enforcing profit and asset transmission laws, they ended up in the control of the U.S. and EU. Now, many of these industries have been transferred to China, leading to economic collapse and deterioration of living standards in Ibero-America.

The question for China is: Do Chinese, or foreign enterprises dominate its economy? Foreign capital now dominates 92.7% of Brazil's enterprises. For the past 25 years, foreign enterprises have been given "super-national treatment" status in China, unlike domestic enterprises. Some 60% of China's foreign trade, worth 800 billion yuan last year, was from foreign-controlled processing industries. Also, 51.2% of manufacturing exports are from joint ventures. Such foreign dependence could well threaten China's economic security, warned Fu Hanxun.

Extension of Shanghai-Pudon Maglev Mooted

The Shanghai government and Germany's Siemens and Thyssenkrupp are discussing an extension of the Shanghai-Pudon maglev train to Hangzhou, a city 200 kilometers southwest of Shanghai, in Zhejiang province. Shanghai government spokeswoman Li Rong said on March 8 that the "governments of the two sides are discussing such a project." It is awaiting approval in Beijing. "Shanghai can't start such a big construction project without central government orders."

The Shanghai Maglev Transportation Co., which operates the 30-km existing commercial maglev, said that it is only in the early stages of doing feasibility research on extending the Shanghai Maglev train line to Hangzhou. In Germany, on March 8, radio reports said Transrapid International is about to complete an agreement to build the new section.

No decision has yet been made on what rail technology will be used for the longer Shanghai-Beijing high speed railroad.

A report on China News Net, run by the Overseas Chinese Affairs Office of the State Council, said that Zhejiang Province officials are to present their proposal for the new maglev line to the central government by the end of 2004. If the plan is approved, construction would begin in 2005. The maglev, which can reach speeds of 430 km per hour already on the short Shanghai-Pudong stretch, would reduce travel time between Shanghai and Hangzhou from two hours to 30 minutes. It could begin operation in 2008.

Tom Ridge on Anti-Terror Tour of Asia

U.S. Homeland Security Director Tom Ridge is on a nine-day Asian tour, seeking closer cooperation on anti-terrorist measures. Ridge's was scheduled to spend five days in Singapore, where he will meet with Home Affairs Minister Wong Kan Seng, Prime Minister Goh Chok Tong, and the "best bloody Englishman west of Suez," the aging Le Kuan Yew.

The Singapore talks will also give Ridge the opportunity to deliver a speech, entitled "Fighting Terrorism: Security and Cooperation in the 21st Century" on March 9, to an elite crowd at the Institute of Defence and Strategic Studies.

Currently, Singapore is holding 37 persons under its tough Internal Security Act, most of whom are accused of links to Jemmah Islamiya, which was blamed for the October 2002 bombing in Bali, Indonesia, which killed 202 people, and the August 2002 Marriott Hotel bombing in Jakarta, in which 12 people were killed. Singapore officials have alleged JI was planning truck bomb attacks on the U.S Embassy and related targets in Singapore in the wake of the 9/11 attacks, but the arrest of JI members foiled the plot.

NATO General Claims Taliban Are Finished, And Yet....

Speaking before the Belgian Senate Committee, NATO Supreme Allied Commander Gen. James Jones concluded that the Taliban and al-Qaeda fighters in Afghanistan are finished. But, in the same breath, the general also told the Belgian Senators that there exist serious problems of feuding warlords and drug-trafficking, and the Karzai government in Afghanistan was struggling to impose its control beyond the capital city of Kabul. How these two contradictory statements could be linked? General Jones, for one, did not give any clue. He simply asserted that, "we should be clear about the fact that the war against al-Qaeda and the Taliban as fighters is virtually, almost complete."

Another incident of double-talk was exhibited by U.S. military spokesman Lt. Col. Bryan Hilferty in Kabul. He told reporters on March 9 that the American officer investigating the killing of nine Afghan children by U.S. air strikes last December, has absolved the American forces of all wrongdoing by saying that they had followed "appropriate rules of engagement and did follow the law of conflicts." In the same breath, Hilferty pointed out that the investigation report will remain classified, "because of the intelligence involved and the target involved."

Mekong Sub-Region Outlines Plan for River, Rail Transport

A policy and planning adviser to Thailand's National Economic and Social Development Board, Utis Kaothien, said the Mekong River would be developed as a tourist destination rather than as a transportation route. He said roads and railways would be the major routes for goods transportation, adding that the East-West corridor was expected to be finished soon and would link Vietnam to Burma through Thailand's northeast.

A Burmese businessman said he hoped the Thai private sector would invest in clothing and agriculture, pointing out that U.S. sanctions on his country had accelerated widespread unemployment in these sectors, especially in the Myawaddy area across from Mae Sot, Thailand. Other problems remain, including high tariffs on goods between the Greater Mekong Sub-Region member states.

The GMS is home to more than 200 million people and accounts for the combined GDP of member countries of more than \$250 billion in 2003. It includes Cambodia, Laos, Myanmar, Thailand, Vietnam, and China's Yunnan province.

Africa News Digest

Nigeria To Pursue Legal Action vs. Halliburton, Cheney

The Nigerian government is "absolutely committed" to pursuing legal action against Halliburton Corp., from the time Dick Cheney was its CEO, and it is by no means to be excluded, that Cheney will be subpoenaed by French lawyers, to testify on the matter, said a Paris-based European influential, who has top-level contacts in Nigeria, and who just returned from a week in the country. "When I got down there, I asked top officials what was going on with the action against Halliburton, in the \$180 million deal with Halliburton four and a half years ago, when Cheney was CEO, and they told me, they are absolutely committed to seeing the case through," he said. "The case has been transferred from Geneva to Paris, and they have French lawyers on the case, because Paris was the place where the crime was committed. For the Nigerians, this case is part of the wider efforts, to get hold of the corrupt money from the previous Abacha regime. The Halliburton case involves allegations of massive bribery of Nigerian officials."

French Judge Confirms: Kagame Guilty in Rwandan Genocide

A French judge confirmed Lyndon LaRouche's judgment of years ago, by laying the blame on Rwandan President Paul Kagame for the 1994 shoot-down of a plane carrying President Habyarimana, which sparked the Rwandan bloodbath. Beginning in 1996, LaRouche sponsored a worldwide campaign to expose the Anglo-American interests behind the genocide in the Great Lakes region, with Ugandan President Yoweri Museveni and Paul Kagame as their tools.

Judge Jean-Louis Bruguière, the top anti-terrorist judge of France, will soon issue, in the name of the entire unit in charge of the fight against terrorism, a devastating report on who shot down the Falcon 50 transporting Rwandan President Juvenal Habyarimana and Burundian President Cyprien Ntaryamira to Kigali, Rwanda, after a regional summit in Dar es Salaam, Tanzania. The downing of that plane was the element that ignited the Hutu genocide against the Tutsi population. The report—finished Jan. 30 and not to be disclosed officially until after the ceremonies of the 10th anniversary of the genocide on April 6—was leaked to *Le Monde*, which put it on its front page March 10, and gave it two full pages. The investigation, initiated by demand of the families of the four French air personnel killed in the downing, began six years ago.

Bruguière lays the blame in no uncertain terms on Kagame as being the main decision-maker behind the downing of the plane. During his investigation, Bruguière heard the testimony of hundreds, launched many foreign investigations, and benefitted from the support of several dissidents of Kagame's Rwandan Patriotic Front (FPR) now living under protection, among whom was a member of the "Network Commando," operating directly under Paul Kagame and in charge of shooting the plane.

When Bruguière's report is turned over to the Paris prosecutor's office, it will have to decide "on issuing international arrest warrants for 'murder in connection with a terrorist operation,' against some 10 of the highest officials of the present Rwandan government, with the exception of President Kagame, who benefits from the immunity accorded all sitting heads of state."

'Interior' Tutsis Were Expendable to Kagame

In testimony before Judge Bruguière, a member of the Network Commando, who was in charge of downing Habyarimana's

plane (see above), explained the "inherently monstrous" perspective of the Tutsi opposition movement born outside Rwanda and, revealed that in order to take power, the external Tutsis were ready to sacrifice the "Tutsis on the inside"—i.e., those who remained in Rwanda after many went into exile in 1959, when the Hutus took power. "Paul Kagame had little consideration for the interior Tutsis, whom he likened to the Hutus," stated Captain Abdul Ruzibiza. The "interior Tutsis were potential enemies who had to be eliminated along with the Hutus, in order to be able to take power, which was Paul Kagame's main aim."

Judge Charges UN Hid Cockpit Evidence for 10 Years

A long part of Judge Bruguière's report concentrates on UN sabotage, allegedly under U.S. pressure, of the investigation (see above). *Le Monde* reporter Stephen Smith recounts March 10 the systematic refusal of the UN to investigate who downed the plane, even though, immediately after the event, the UN Security Council invited the Secretary General to investigate. Ten years later, the UN has still not opened an investigation.

Smith goes through the story of the airplane's black box. Bruguière was able to confirm that the UN had access to the crash site immediately after the plane crash, as was stated by the then Rwandan President on May 7, 1994. The two successive chief prosecutors of the International Criminal Tribunal for Rwanda (based in Arusha, Tanzania), Louise Arbor and Carla del Ponte, refused, however, to carry out the second mandate they had been given: "the prosecution of the crimes of war committed by the FPR during their conquest of power in 1994." After her meeting with Paul Kagame in June 2002, Carla del Ponte "suspended all special investigations into the FPR war crimes." Three months later, on Oct. 8, she refused to accept a dossier on the plane attack assembled for her by Rwandan officers wanting to give her proof of the FPR's responsibility.

The story of the Australian investigator for the Arusha tribunal, Michael Hourigan, had been already partially revealed by a Canadian journalist, Steven Edwards, in the Canadian *National Post* of March 1 and March 31, 2000. In February 1997, Hourigan told his superiors that he had established contact with three members of the FPR army, who had confirmed their participation in a mysterious "network" which prepared or executed the attack on the plane. Ready to quit the Kagame regime, they demanded special security to protect their lives. Hourigan informed Louise Arbour twice of his results and even organized a secure phone briefing to the UN in New York from the U.S. Embassy in Kigali. Days later, a New York UN emissary told Hourigan to meet Louise Arbour at the Hague with all of his evidence. She was apparently furious with him, raving that the Tribunal had no mandate to investigate who downed the plane and questioning the morality of the Senegalese informant who established contact with the three Network members who were by then ready to lead them to the person who actually shot the missiles.

Disgusted with the UN, these investigators decided to talk to Judge Bruguière. They transmitted to France the internal UN report that the president of the Tribunal, Navanethem Pilay, had refused to communicate to French judicial officers, in which the 10 names of the Network members appeared, confirming all the declarations of the dissidents. In his testimony to Bruguière, Hourigan considers that it was under "U.S. pressure" that the UN decided to ignore that information. On June 19, 2001, Dassault Falcon Services declared that indeed the plane did have a cockpit voice recorder (CVR), contradicting its earlier statements to the contrary. Bruguière then located the person who controlled UN air operations in Kigali from April to December 1994, Roger Lambo, a Canadian. He finally declared, on March 1, 2002, that the CVR had indeed been turned over to the UN offices in Kigali "some two or three months after the loss of the Falcon 50." Under instructions from Andy Sequin, head of the air security unit at the UN, he took it in the diplomatic pouch to Nairobi, whence it was sent to the UN in New York, where it has been sitting since that time.

Was Cheney Behind Coup Attempt in Oil-Rich Equatorial Guinea?

The government of Equatorial Guinea, led by dictator Teodoro Obiang Nguema, after warning of a possible coup attempt

for several weeks, deployed the army heavily in Malabo, the capital, on March 6, and barricaded the embassies of Nigeria, Cameroon, Gabon, and Ghana, and the consulate of Benin. Fifteen plotters were arrested March 7, including at least seven South Africans.

President Obiang has accused multinational companies of backing a coup plot by Severo Moto Nsa, who recently formed a government in exile in Madrid. Moto has planned coups that failed twice in the past.

Obiang recently said, "There are plenty of detractors, plenty of internal and external enemies, above all at this moment in which certain countries that never took an interest in Equatorial Guinea, are now becoming very active." Offshore oil was discovered in the mid-1990s, and Equatorial Guinea is now Africa's third-largest oil producer, with Exxon Mobil and ChevronTexaco being leaders among those having contracts.

The chief suspect as ultimate sponsor for such a coup attempt is the Washington- and Jerusalem-based Institute of Advanced and Strategic Political Studies (IASPS), led by Cheneyites, and its Africa Oil Policy Initiative Group (AOPIG). The job of AOPIG is to clear the path politically for the Cheneyacs to increase the control of U.S. companies over African oil. Exxon Mobil and ChevronTexaco are involved. The Cheneyacs are determined to have transparency of oil funds and the appearances of "democracy" in the target countries. There is neither in Equatorial Guinea, and Obiang has not been responsive to recent pressures in that direction—hence the coup attempt. Obiang recently asked rhetorically, in referring to "our eternal enemies" in a national TV address, "What kind of democracy do they want for Equatorial Guinea?"

Coup Plotter: 'Some Americans' Were His Bosses

A South African coup plotter has implicated "some Americans" as his immediate superiors, in the Equatorial Guinea coup plot. Nick du Toit, identified as the leader of the coup plotters arrested in Malabo, was questioned on national television March 10. He said the plan was to kidnap President Obiang and force him into exile in Spain, and immediately install the (self-appointed) government-in-exile of Severo Moto Nsa, currently in Spain. He said he was recruited by some Americans and a Lebanese to recruit 60 mercenaries and get them to Equatorial Guinea.

Plane Detained in Zimbabwe Linked to Coup Plot

Zimbabwe authorities detained a plane from South Africa March 7 and identified former Executive Outcomes (EO) mercenaries, including Simon Witherspoon and Nicholas du Toit, among the passengers, all of whom were "heavily built males." At the airport to meet them were Simon Mann, also formerly of EO, and Colonel (ret.) Tshinga Dube, CEO of Zimbabwe Defence Industries (ZDI), according to the South African Broadcasting Corp. The purpose was to load \$180,000 worth of arms purchased from ZDI. *Africa Confidential* (Vol. 45, No. 5) says that Dube was at that point playing out a sting since South African intelligence had already tipped off their counterparts in Zimbabwe.

South African Foreign Minister Nkosazana Dlamini-Zuma said March 10 her department was in no rush to assist the South Africans arrested in Zimbabwe and Equatorial Guinea. "They are not exactly innocent travellers finding themselves in a difficult situation," she said, and confirmed that "indeed there was a link between the plane and Equatorial Guinea." She said one of those arrested in Equatorial Guinea "has addressed the diplomatic corps and explained what funny things they were doing up there."

Equatorial Guinea's President Obiang said March 9 that South African President Thabo Mbeki had tipped him off about the impending arrival of the mercenaries: "We spoke with the South African President, who warned us that a group of mercenaries was heading towards Equatorial Guinea.... Angola also sent messages to tell us to be vigilant." Mbeki is opposed to any coup in Africa.

Executive Outcomes Alive and Well, Says Analyst

A former security analyst specializing in mercenary activity told the Johannesburg *Star* March 10 that Simon Witherspoon, former British Special Air Service (SAS) member Simon Mann, and Nicholas du Toit, "formed the basis of the mercenary company Executive Outcomes," in the paraphrase of *The Star*. Speaking on condition of anonymity, the analyst said, "Executive Outcomes closed shop in 1999, but if Witherspoon and Mann are involved in this operation, then I believe EO's core group is once again operating...."

EIR notes that the IASPS/AOPIG coup operation in Sao Tome in July 2003 used mercenaries of the old Buffalo Battalion, organized in the 1970s by the South African apartheid government to fight in Namibia and Angola.

This Week in History

March 15 - 21, 1802

Congress Finds a Military Academy at West Point

On March 16, 1802, the United States Congress authorized President Thomas Jefferson to organize a Corps of Engineers, which "shall be stationed at West Point ... and shall constitute a military academy." The Chief Engineer of the Corps would be the Superintendent of the academy, and the Secretary of War would purchase books, implements, and apparatus for the institution.

The idea of an American military academy had developed during the American Revolution and was supported by many of the Founding Fathers, but it had a difficult journey to becoming reality. Americans were suspicious of military power because of their very unpleasant experiences under the British Empire. The Declaration of Independence had listed many grievances against George III, two of which were: "He has kept among us, in Times of Peace, Standing Armies, without the consent of our Legislatures," and, "He has affected to render the Military independent of, and superior to the Civil Power." During the Revolution itself, the revolt of the Pennsylvania Line and the Newburgh plot added to the uneasiness over "standing armies." (See EIW #10, This Week in History, for more on the Newburgh plot.)

Nevertheless, the contacts between Continental Army officers and the European officers who had come to aid the American cause, convinced the Americans that they must have a trained officer corps, especially in the scientific fields of artillery and engineering. Key to this was the alliance with France, many of whose officers had been trained at the excellent *Ecole Militaire*. Even before the French arrived, however, Col. Henry Knox of the Artillery, Washington's future Secretary of War, was proposing a military academy. Knox, who had been the proprietor of the London Book Store in Boston before the Revolution, educated himself in military affairs not only by reading his stock of books, but also by talking with British officers who were stationed in the city. He eventually joined a local militia company, the crack Boston Grenadier Corps.

In 1776, Knox argued his views to Congressman John Adams, who then guided through the Continental Congress an act creating the Corps of Invalids. This organization for disabled officers stationed them at inactive posts and assigned them to teach their military knowledge to young ensigns assigned to the Corps. In 1781, this organization was moved from Philadelphia to West Point. Very few ensigns were assigned there, and at the end of the war the Corps was disbanded.

In 1783, George Washington supported Knox's views, calling for "academies, one or more, for the instruction of the art military." He said that "I cannot conclude without repeating the necessity of the proposed Institution, unless we intend to let the Science [of war] become extinct, and to depend entirely upon the Foreigners for their friendly aid." Congress did not

act, and at the end of the Revolution, it drastically reduced the size of the army. By 1785, there were fewer than 100 officers and men in the United States Army, most of them stationed at West Point, America's largest fort and the spot which General Washington considered to be the most important military position in America.

During Washington's first term as President, he and Knox continued to press for a military academy, but during a cabinet meeting in 1793, Thomas Jefferson strongly opposed the idea, saying that "none of the specified powers given by the Constitution would authorize" such a national academy. But the following year Washington was able to persuade Congress to increase the numbers of the Corps of Artillerists and Engineers stationed at West Point, and created the rank of cadet. Cadets were junior officers who were supposed to attend classes taught by older officers, but no books were purchased and no classes were held.

After several encouraging developments, such as Congress giving President John Adams the power to appoint four teachers of the "Arts and Sciences" for the cadets, the fate of the military academy passed into the hands of President Jefferson. Because Jefferson favored the establishment of a national university, and felt Congress would only pass such a bill if the institution were military, he reversed his opinion on the constitutionality of such a proposal, and Congress established the academy in 1802. Part of the reason that Jefferson relaxed his objections was due to the fact that the Chief Engineer, who would become Superintendent, was Jonathan Williams.

Williams was the grandnephew of Benjamin Franklin, and when Franklin was sent to London to represent the colonies, Williams followed him there to be educated in London. When Franklin moved to Paris at the start of the American Revolution, Williams followed him to France and became a merchant in Nantes. There, he worked with Franklin and Beaumarchais to forward supplies to the Continental Army. He also used his spare time to study French fortifications and military engineering. When Franklin returned to America in 1785, so did Williams, who gained a scientific reputation for his work on many of Franklin's scientific experiments. In 1799, he published a treatise titled "Thermometrical Navigation," and he also contributed to the Transactions of the American Philosophical Society, of which he was secretary and vice-president. His scientific work brought him into contact with Thomas Jefferson, who appointed him a major in the 2nd Artillery and Engineers, and, in December of 1801, made him inspector of fortifications and commander of the post at West Point.

The new Superintendent had his hands full at the academy, for not only did he have to set up the school, but he was constantly sent out, in his engineering capacity, to build coastal forts. Once Congress had passed the enabling legislation, it turned a blind eye to the academy, and so Williams solved this problem in a unique way. He founded the American Military Philosophical Society at West Point, making the faculty and cadets members, but allowing civilians to join. The Society held meetings twice a month at West Point, where scientific papers on all subjects were discussed, and demonstrations were made of new technologies. The Society also became the archives for the Corps of Engineers, and built up the finest collection of technical works in America, the core of which was Jonathan Williams' private collection, much of which he had inherited from Ben Franklin.

As the Society expanded its membership, it held meetings outside West Point. When it met in New York City, Mayor DeWitt Clinton provided a room in City Hall and came himself to the meeting. In Washington, D.C., the Society met in the War Office. Civilian members included Thomas Jefferson, James Madison, John Quincy Adams, James Monroe, John Marshall, and Benjamin Latrobe. Inventors such as Robert Fulton and Eli Whitney also became members. By 1807, the Society had become an important center of scientific research and development.

But the small number of senior officers assigned to the Corps of Engineers, and their multiple duties of designing and building fortifications up and down the eastern seaboard, left little time for instruction at West Point. When the British attempt to recapture America broke out in the War of 1812, the engineers had to scatter to posts throughout the country, leaving the academy without a staff at the very time that new trained officers would be most needed. President Madison projected the nation's requirements for a combination of army and militia to be 145,000 soldiers, and to lead this large army

West Point had only had time to graduate seventy-one cadets. Congress finally reacted and passed legislation in 1812 that would, after the war, enable a reorganized West Point to become a true national military academy.

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