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THE NEW THREAT OF FASCISM TODAY

by Lyndon H. LaRouche, Jr.

Now, that we might hope that Vice-President Dick Cheney and his neo-conservatives are apparently, at last, on the way out, the remaining, new great strategic threat to the U.S.A. today, is currently radiating from Liberal Britain's infamous Fabian Society. That Society is the principal accomplice, and virtual master of Vice-President Cheney and his accomplice, Britain's Liberal Imperialist Prime Minister Tony Blair. The new overt threat to the U.S.A. itself, is expressed by those in Europe who foresee as their tool, a continued expansion of an expanded European Union under the influence of British Liberal imperialists such as London's Blair/Cheney crony Baroness Symons, and overtly fascist, imperialist technician Robert Cooper. That is the assigned, imperial role for a bloated anti-American collection of increasingly failed states, the virtual Tower of Babel which displayed itself in a recent election of the new European Union.

Under this circumstance, the great challenge facing the late-July Democratic National Convention, is to launch a campaign for the November 2004 Federal general election, which will bring into power not only an appropriate new President, but also a winning combination of elected Democratic and Republican members of Congress, a combination which will function in cooperation with the new President, as Congress did under the Administration of Franklin Delano Roosevelt.

Today, as the U.S.A. and the world wobble on the brink of the greatest world monetary-financial crisis in modern history, we need a new quality of Administration of the U.S.A. We require, absolutely, a new Administration which is qualified in both intellect and commitment, to lead the planet wracked by this new crisis as Roosevelt saved the world from the fascist world tyranny which would have conquered the world but for a Roosevelt-led U.S.A. over the 1933-1945 interval, until that President's untimely death.

The most important of the valid reasons for optimism about the world's future, should such a new Administration be installed in January 2005, is that the world has a presently crying need for such a role of inspiring leadership from a post-Bush new Administration which is cast in the memory and spirit of FDR.

Should an November election victor with those qualities not be selected, the spread of a new London Liberal Imperialist fascist tyranny controlling the European Union, would take an increasing role in leadership in world affairs, as the rise to power of Mussolini and Hitler had already virtually ensured that fascist takeover of a continental Western and Central Europe leading into World War II by the time of FDR's inauguration. This danger is to be recognized as merely typified by the influential role of frankly fascist and imperialist Robert Cooper's and the "Euro-Socialist's" dogma within the European Union now. It is a danger inhering in the dismal potential for electoral chaos within the European Union, under the inevitable near-term effects of any approximation of the present, neo-Schachtian, fiscal austerity rules. The fascist policies being promoted within the orbit of the European Union, from Blair's London, are currently already in the ascendancy there, if not yet consolidated forces in power.

The danger is not yet irreversible, but the threat is growing, and spreading, as the recent European Union elections showed that Union to be becoming, in effect, an aggregation of "failed states."

The danger does not lie within European culture as such. After all, the culture of the U.S. itself was then, in FDR's time, and now, predominantly a sampling of the best we brought into this continent from Europe. The problem is, that under the impact of that prolonged Anglo-Dutch imperial hegemony against which we fought for our own national independence, Europe is still, up to the present day, dominated by systems of government which have yet to be fully freed from the radiated effects of that 1763 Treaty of Paris which established the Anglo-Dutch British East India Company of Lord Shelburne and others, as the hegemonic imperial, financier-oligarchical power in Europe. That was the essential, historical root-cause of the two World Wars of the last century, and is the root of the conditions leading into the presently imminent economic doom of the world's present monetary-financial system today.

At this coming Democratic Convention, we must turn the clock back to the anti-colonialist and related policies which President Franklin Roosevelt had intended for the postwar world, until he was taken from us by his moment of death. We must resolve to become, once again, what we as a nation were created to become, a temple of liberty and justice, and a beacon of hope for all mankind.

The danger is terribly great, but the opportunity for building a peaceful and prosperous future is great, and we, of the U.S.A., are blessed to have the responsibility for taking those first steps which will help to put a threatened world back, once more, along the pathway toward peace and progress, a better world to be established among a world community of perfectly sovereign peoples and nations.

Our task is not only to forge a coalition of the best traditions of our two major parties, as the FDR coalition expressed this, but to craft the kind of new Presidency and a new partnership among Presidency, Congress, and Federal states, which can tap the power of the special national genius embedded in the crafting of our Federal Constitutional republic.

The Democratic Party must agree, however reluctantly, to put aside the petty wheeling-and-dealing of its presently opportunistic habits of money-grubbing, petty-minded politics, to rise to the nobility of overturning those failed habits of policy-making which have, in the main, ruled and ruined our nation, during the drift of the recent forty years.

30-30-30

This Week You Need To Know

Cheney's Lawyer Addington Penned Key Torture Memo

by Jeffrey Steinberg

David Addington, the General Counsel to Vice President Dick Cheney, was the actual author of one of the now-infamous White House "torture memos" that claimed for President Bush the authority to violate the Geneva Conventions on the Treatment of Prisoners of War, in the so-called "war on terrorism." The immediate result of this Hitlerian document was the scenes of inhuman torture at the Abu Ghraib prison in Baghdad, and the as-yet untold tales of similar torture at other secret prison locations in Afghanistan, at Guantanamo Bay, Cuba, and in other countries around the world.

The revelation that Addington was the author of the Jan. 25, 2002 draft memorandum for the President, first appeared in a July 3 report in *Newsweek* online. An unnamed aide to White House General Counsel Alberto Gonzales told the magazine's Daniel Klaidman, "The memo was actually penned not by Gonzales but by Dick Cheney's top lawyer, David Addington, a hard-charging hawk."

This news service has independently confirmed the accuracy of the *Newsweek* story, through several intelligence and legal community sources, familiar with the deliberations that preceding the writing of the January 2002 document, which President Bush approved.

According to one specialist in military law, familiar with the proceedings, Addington participated in all of the meetings that led to the drafting of the memo. Another intelligence community source confirmed that *Newsweek* had obtained on-the-record statements from Bush White House officials close to General Counsel Gonzales, in anticipation of an Administration effort to spike or discredit the story. One week after the *Newsweek* release, the Bush White House has made no effort to challenge the account of Addington's role.

Prior to the *Newsweek* posting, senior U.S. military and intelligence sources had singled out Addington as a key player in the Cheney circles, who aggressively promoted the trashing of international law in the war on terror.

The Addington-authored Jan. 25, 2002 draft was followed, six months later, by the most infamous of the "torture memos," the Justice Department Office of Legal Counsel Aug. 1, 2002 document by Jay Bybee, directed to Gonzales, which set the standards for what constituted torture, under the jaundiced interpretations of international law from the Ashcroft department. The Bybee memo sanctioned "cruel, inhuman, or degrading" acts which "still do not produce pain and suffering of the requisite intensity to fall within Section 2340A's proscription against torture."

Cheney's man Addington was also directly involved in the preparation of the Bybee memo.

Cheney's Longtime Aide

Addington's ties to Dick Cheney date back 15 years, when he first served as a special assistant and Deputy Secretary of Defense to Cheney in the Bush "41" Administration. From 1992-93, he served as the Pentagon's General Counsel, leaving government when Cheney departed as Secretary of Defense in January 1993. When Cheney chose himself as George W. Bush's Vice Presidential running mate, he brought Addington to the White House as his General Counsel.

Addington has served as Cheney's legal bodyguard, fending off efforts by Reps. Henry Waxman (D-Calif.) and John Dingell (D-Mich.) to obtain records of the Vice President's energy task force, and later efforts by the General Accounting Office to force full disclosure of the task force's activities. Intelligence community sources have reported that the Cheney-led task force was actually the first of a series of secret planning groups for the Iraq war.

In a lawsuit by the group Judicial Watch, a scant 16-pages of task-force documents have been made public, and none from Cheney's office; these documents reveal that the Cheney task force was mapping out oil concessions in Iraq, Saudi Arabia, and the United Arab Emirates—two years before American troops invaded Iraq.

Dust Bites Cheney!

Commenting on the Addington revelations on July 8, Lyndon LaRouche said: "Every indication is, that Cheney is near to the end of his string as Vice-President. The dropping of Cheney from the Republican ticket, is very bad news for the Kerry campaign. Since the aftermath of the March primaries, Bush and Kerry have been locked into a race to see which can get to the bottom first. If a mainstream Republican is seen as probable replacement for Cheney on the Presidential ticket, the resulting slow-down in the rate of collapse of Bush's popularity, could mean a likely November defeat for the recently proposed Kerry-Edwards pair.

"In reacting to today's updated reports on the pile-up of terrible troubles for Cheney's career," LaRouche pointed out, "we

must not lose sight of the fact that neither of the presently probable tickets are mentally prepared to cope with the presently accelerating threat of global collapse of the world's monetary-financial system. The date that the world's financial collapse becomes official, is uncertain; but it will be soon. We don't need a new Herbert Hoover, either Democrat or Republican, with this financial collapse now coming on fast.

"So, it will be good for the world if Cheney is out very soon. Do not forget, that even after Cheney were gone, the real dangers still lie immediately ahead."

Cheney's Dr. Feelgood

Cheney's problems hardly end with the revelations about Addington and the torture memo. A growing faction of "moderate" Republicans are demanding Cheney's removal from the GOP ticket in November. The latest voice to weigh in for Cheney's ouster is former U.S. Senator Alfonse D'Amato (R-N.Y.), who told WINS radio in New York on July 7 that Cheney should be bounced, and replaced on the ticket by either Secretary of State Colin Powell or Sen. John McCain (R-Ariz.). The same demand had also been made publicly in an open letter by *Des Moines Register* publisher James Gannon, a well-known Midwest Republican.

According to one well-placed Beltway source, a group of prominent Republicans are already in discussions with senior GOP members of the U.S. Senate, in preparation for a "heart-to-heart talk about Cheney" with top officials at the Republican National Committee, to demand a change in the ticket.

An even more blunt assessment of the "Cheney factor" was published on July 8 in the Washington insiders leak sheet, *Capitol Hill Blue*, which claimed that Dick Cheney is the subject of a White House General Counsel's Office memo, assessing the strong likelihood of the Vice President's indictment for bribery and corruption in the period he was Chief Executive Officer of Halliburton Corporation. The memo reportedly anticipates action by a French investigative magistrate, Renaud van Ruymbeke, who is probing an alleged \$180 million Halliburton slush fund set up to bribe Nigerian officials during the 1990s, while Cheney was running the company.

While *EIR* has no independent confirmation of the existence of this reported White House memo, sources in France have confirmed part of its alleged substance: that French magistrate Ruymbeke is in hot pursuit of Cheney around the Halliburton Nigeria bribes, and his investigation includes a probe of Halliburton money being siphoned into offshore accounts, that may have bankrolled Republican Party candidates in the 2000 elections.

The *Capitol Hill Blue* article, by the publication's editor Teresa Hampton, reported: "Those who have read the analysis say it presents a 'devastating' case against the Vice President and concludes Cheney has violated both the 'spirit and intent' of Federal laws on conflict of interest."

A "health reasons" pathway for Cheney's ouster may have been opened this week, with the *Washington Post's* revelations that the Vice President's personal physician, Dr. Gary Malakoff, has been addicted to a range of drugs, including cocaine, Stadol, Fiorinal, Codeine, Xanax, and Ambien since at least the late 1990s.

Malakoff, the doctor who, in July 2000, pronounced Cheney perfectly fit to serve as Vice President (Cheney suffered a further heart attack four months later), doctored his own medical records, to conceal his continuing addiction while he was on a rehabilitation program that allowed him to continue his medical practice and teaching duties at the George Washington University Medical Center. Dr. Malakoff was placed on the rehab program in 1999, prior to Cheney's Vice Presidential run. Between 1998-2001, according to the *Post*, Dr. Malakoff had 20 automobile accidents.

A spokesman for Cheney admitted to the *Washington Post* on July 8 that the Veep knew about Dr. Malakoff's addiction, but that Malakoff was dropped as Cheney's personal physician only very recently.

Asked to comment on the Malakoff revelations, LaRouche said that "Cheney is far more likely to go down due to his moral condition than his medical condition."

The Institutions Weigh In

Further compounding Cheney's difficulties is a growing institutional revolt against the unilateral imperial policy that the Vice President and his neo-conservative faction foisted upon the Bush Administration from Day One. In recent days, the tempo of leaks and open statements assailing the White House actions has accelerated, particularly from leading U.S. intelligence community and military figures of stature. LaRouche has referred to this upsurge as a mobilization of "the patriots in the woodwork," and as the slow, thoroughly-contemplated activation of the "institution of the United States Presidency."

Indicative of this effort were the statements made on July 3, in a BBC interview, by Gen. Janis Karpinski, the Army Reserve officer who headed the American occupation prison system in Iraq until earlier this year. General Karpinski revealed that she had personally encountered an Israeli interrogator operating in one of the American-run interrogation centers in Baghdad. She told BBC's Matthew Grant that she was visiting an intelligence center in Iraq with another coalition general. "I saw an individual there that I hadn't had the opportunity to meet before, and I asked him what did he do there, was he an interpreter?—he was clearly from the Middle East. He said, 'Well, I do some of the interrogations here. I speak Arabic, but I'm not an Arab. I'm from Israel.'"

While there have been source reports for months about Israeli interrogators working for the American-led occupation forces in Iraq, General Karpinski's account of the incident represents the first time that an American government official has stated, on the record, that there are Israeli interrogators operating in Iraq. General Karpinski also told BBC that she was being made a "convenient scapegoat" for abuses at Abu Ghraib and other locations, that were actually ordered by others.

One well-informed U.S. intelligence official told *EIR* that the Cheney-Rumsfeld crowd made a big mistake when they tried to scapegoat the reserve general. "The military should never have pissed off General Karpinski. She is a smart, tough, successful lady," the official said.

The Karpinski statements were further buttressed by another story posted in the past week on the website of *Newsweek* by *Boston Globe* reporter Dan Ephron. The story exposed a top-secret Israeli military interrogation center, merely known as "Facility 1391," where Arab "terrorists" and leading Palestinian activists are subjected to the very same torture techniques exposed at Abu Ghraib.

Author Ephron interviewed a former inmate of Facility 1391, a Lebanese national member of the now-defunct Shi'a militia group, Amal, who returned to Lebanon in a prisoner swap about five months ago. The former Amal member, Mustapha Dirani, brought a lawsuit against Israel and the interrogator, "George," who tortured him, asking for damages in the amount of 6 million shekels (a little more than \$1 million). According to *Ha'aretz*, Dirani's Israeli lawyer told the court that the treatment of Dirani was "a Nazi act."

Dirani told *Newsweek*, "It's the same style as Abu Ghraib. They take advantage of the fact that Arabs and Muslims are culturally conservative." Dirani said that in the first days that he was at Facility 1391, he was "raped by an Israeli soldier."

The CIA Takes on Porter Goss

In another highly unusual development, three top CIA officials have come out swinging against Rep. Porter Goss (R-Fla.), the chairman of the House Select Committee on Intelligence, and a Cheney favorite to be installed as interim Director of Central Intelligence (DCI) on the departure of George Tenet. On June 23, Goss' Republican majority on the committee inserted a caustic attack on the CIA into an intelligence authorization bill, branding the Agency a "dysfunctional organization," and proposing to turn over major responsibilities and budget control to the Pentagon, where Straussian Stephen Cambone is Rumsfeld's new Undersecretary of Defense for Intelligence. That post was created in March 2003, specifically to challenge the CIA Director for control over America's intelligence assets.

The very next day, a letter from outgoing DCI George Tenet was posted on the CIA's open-source website, blasting Goss, and defending the Agency's high-priority focus on global terrorism, weapons proliferation, and the ongoing crisis in Iraq.

Tenet's letter was dated June 23, the same day that his deputy, the new Acting DCI, John McLaughlin, delivered a similar attack on the Agency's critics to a meeting of Business Executives for National Security (BENS). McLaughlin went directly at the Cambone putsch attempt, demanding that the Director of Central Intelligence remain the CIA director, with even greater authority over the military intelligence assets.

Two days earlier, James L. Pavitt, the outgoing Deputy Director of the CIA for Operations, spoke at the Foreign Policy Association, on the same themes. He warned the audience that there are some people in Washington who wish to use the occasion of the Tenet and Pavitt departures from the Agency to stage a radical reorganization. "Some have said my retirement and George Tenet's resignation create the 'perfect storm' for radical restructuring in the intelligence community. Let me remind you that in the book and the movie, 'The Perfect Storm,' the ship sank and the crew drowned."

Cheney's angst over the new vacuum at the top of the CIA is straightforward: With no strong leader in place, politically loyal to the White House, there are no holds barred on Agency leaks targeting the neo-con cabal that has attempted to scapegoat the CIA for their own fantasy-driven mistakes in Iraq.

The intelligence wars that have now erupted will form a crucial backdrop to the "hot phase" of the Presidential and Congressional elections in November. The "patriots in the woodwork" factor, as LaRouche described it, may prove to be decisive, and this is very bad news for Dick Cheney, a man with so much to hide.

Latest From LaRouche

LaRouche Calls for Policy Debate: Open the Convention!

Lyndon LaRouche and Helga Zepp-LaRouche were the guests for 90 minutes on The LaRouche Show internet radio broadcast on July 3. The program was hosted by Harley Schlanger, and included LaRouche Youth Movement leaders Cody Jones in Los Angeles and Michelle Lerner in Philadelphia. Excerpts from the transcript follow.

Harley Schlanger: ...You're leading the fight among Democrats for an open convention. Why do we need an open convention?

Lyndon LaRouche: Well, the first thing is, the world crisis, which is now existing—which is potentially a terminal crisis of civilization, unless we change some things—that this world crisis is, essentially, a conflict between two systems: The American System of Political Economy, which was the basis for the Franklin Roosevelt reconstruction of the United States from the depths of the Depression, which had been caused by the British system; and, on the other hand, the British system, which is the system of central banking institutions, private, independent central banking institutions of Europe, and much

of the rest of the world.

Now, even though the American system is not functioning, it's part of our Constitutional structure. It's a Constitution which is the longest lasting in world history. That is, no constitution of any country has lasted as long as our Constitution, since that time. The British system is still the opposition.

What is crashing is the British system, and the United States system is crashing, because it is integrated, ever since 1971-72 especially, with the British system. We've now reached the point, that we have to make a change, in the United States in particular. That change has to go back to the American system, by way of using the kinds of precedents which Franklin Roosevelt set, especially over the period from 1933 to 1944. That would work for the United States.

However, we are not a lonely nation. We exist in a world, with a lot of other nations. Therefore, our relations with other states are indispensable, especially our relations with Europe. But, Europe, with its constitutional systems, presently can not take leadership, and could not save itself, because it's in a system which is doomed systemically, and can not be revived. However, if the United States takes the role of leadership, in changing our system back to the American system, by using the precedents of Roosevelt for getting out of a depression, like the Hoover Depression earlier, then, our leadership would engage Europe, and would engage other countries in the world, and we could start a rebuilding process, once again.

So, the question is: What is going to prevail? Nothing is going to come from Europe. Nothing is going to come from Asia, or anyplace else, that's going to solve this world problem. Because no other part of the world has the constitutional structure, to set the fuse off that will start a recovery. Only the United States. The United States is not functioning in that way now. As a matter of fact, we're on the edge of collapsing. Therefore, if the United States makes its change, in policy, and engages Europe and other parts of the world, in this change, the world will make it, and the United States will make it.

Now, we've come to a period, thus, in which, there's no way of fixing the existing system, either in the United States or in Europe. There's no modest reform. There's no slight change in this policy, this financial policy, tax policy, etc., budgetary policy. Nothing will work. We're now at a point, that all the existing ideas, which are presently accepted by the Democratic National Committee, for example, as well as the ideas that are associated with the Bush Administration, *these ideas can not work*. And *no* reform in the context of those ideas, would prevent the planet from going into the deepest dark age, you can imagine.

So, we're at the center. And I'm at the center. So therefore, the relationship of what Helga's trying to do in Europe, and what I'm trying to do in the United States, is crucial. If I can get this thing going in the United States, if I can induce a change in policy, even at this late date, then we are prepared, with our friends in Europe, to *engage* the European institutions, in joining us in making the world change. So therefore, we are at a point of *history*; history beyond belief; history that you measure in terms of *millennia*, not in terms of decades or Presidential terms. This is one of the great moments in history—and of the most dangerous.

Cheney: On the Ropes

Schlanger: ...[Democratic National Committee Chairman] Terry McAuliffe, who's playing a role in trying to, not only lock down the convention, but keep you out. You issued a call for the firing of McAuliffe yesterday, and also the removal of Kerry's lead adviser, Bob Shrum. What is it McAuliffe thinks he's doing?

LaRouche: I don't know, I think McAuliffe is a very inadequate personality. And sometimes a person who does bad things, does it because he is a morally and intellectually inadequate person. And everything I've seen in his performance, especially in the recent period, shows me a person who is morally and intellectually inadequate. Now, I've attacked him, and strongly. I had to. But, I never treated him seriously: That is, I never regarded him as a super-criminal or something;

he's just a plain fool. But, unfortunately, if you put a fool in charge of a plane, a guy without a pilot's license, in a storm, you may have some trouble.

Schlanger: I guess he indicated how big a fool he is, two days ago, when he told Matthew Ogden, one of the LaRouche Youth Movement members, that he sees no reason to remove Cheney.

Now, you've made the removal of Cheney a major point, including back when you first insisted that Cheney had to go, everyone said, "It'll never happen. You can't do it." Well, Cheney's aura of invincibility has taken quite a beating, due to your efforts.

First, I'd like to know, what is it that you knew about Cheney back then, that others either did not know, or chose to ignore? And, can he hang onto the Vice Presidency?

LaRouche: Well, first of all, what I knew is, very simply, what people didn't want to say. It was considered impolite: Cheney's a fascist. He's not a very intelligent one. He's a fascist and a thief. His whole crowd around him are the neo-cons, so-called, followers of Leo Strauss and company—these guys are dangerous, but intellectually incompetent. I know some of them personally; they're personally incompetent. And here they are, trying to run a dictatorship, and they're running a sort of a Keystone Cops version of fascism, which is vicious, in every respect. But, they're Keystone Cops, essentially, or Keystone SS Men, probably more accurately.

So, the point was, that the United States didn't have a chance of surviving, if Cheney's in it. Europe wouldn't have a chance. Therefore, the institutions were going to be put to the test: That either they would dump this Cheney, who was actually the Svengali, for Trilby Bush, essentially. Dump this guy!

You know, Bush is—people attacking Bush is a mistake. They should attack him for what his function is, for his behavior. But, they have to realize, he's a mental case! The guy's a cripple, a mental cripple! And I don't think he even knows half of what he's doing or saying most of the time. He's just repeating his lines. And he has trust in this baboon, Cheney. He said, once, for example, earlier in his Presidency, "When Cheney speaks, that's me." So, he's nothing but a puppet, for ventriloquist, Svengali Cheney. And Cheney is nothing.

So therefore, the question was: If the United States is going to survive, it's going to have to dump Cheney. Not because Cheney is that important, otherwise, but because by putting him in a non-functioning part, in the works of the system, we assure the system is going to go down. As we've seen, for example, in Iraq, where he created this mess, with his lying and so forth. So, the point was, get rid of him.

I realized, from the beginning, that the political party system, especially the Democratic Party, was morally and intellectually *incapable*, as a party system, of dealing with this problem. Therefore, I said, there's only one institution, in the United States, which is capable under our Constitution, of dealing with this kind of crisis: And that is the larger institution of the Presidency. That is, people who are associated with the Presidency, because they were professionals or are professionals, military, intelligence, diplomatic, and so forth; or because they are retired, or associated with the Presidency as advisers over a period of decades; or are members of the Congressional organization, in the Senate and in the House, people who are longstanding stalwarts of those institutions. They have a sense of the Presidency. And working together, this kind of moral leadership in the House of Representatives, and in the Senate, combined with the institutional processes within the Executive branch, these are the institutions which we can rely upon, if any, to rally the American people, and the institutions of the United States, around solutions.

So, my policy was always: *Cheney must go*. If anyone says, "Cheney must not go," they're out of the equation. They're stupid, they're out of the equation. They're bunglers. They're dangerous. ...

The People Come First

McAuliffe is the kind of guy, the jangle of money from big-money sources, really gets his attention.

And McAuliffe is operating on the assumption, which is "in," among these banking institutions, who are playing games with both the Republican and Democratic side of the equation. They're saying, "Well, whatever happens in this crisis, we're going to come out on top. It's not going to be the Democrats. It's not going to be the Republicans. It's going to be *we*, the international banking group, the international financial cartel, which is controlling the financing, essentially, of both parties." And McAuliffe is looking at this financial cartel.

The issue is very simple: When the system goes down, is the Constitution of the United States going to be enforced? That is, are we going to protect the *people* of the United States? Or, are we going to scrap the people, and turn them into cordwood for burning, as they're doing now, in Germany? Under that kind of influence, under a Social Democratic government. Which they would do here—as they're doing in Argentina. These bankers, when their system collapses, *they eat people!* Especially poor people.

And therefore, as Roosevelt did, the job of the President of the United States, is to lead the institutions of the country, in defending the general welfare of our people, first. *And bankers come second.* These guys, the financial cartel say, "No. *We come first, and the people come last!*"

So, what McAuliffe is, essentially he's a stooge for this kind of financial cartel. It's the *same* financial cartel, which in 1931-1933—including Morgan, Harriman, du Pont, Mellon, and so forth—this cartel, together with the British who led them, put Hitler into power, in 1933. And later, some of the Brits joined some of the Americans, in saying, "We're not going to make Hitler, a German, the emperor of a world fascist system." So, we went to war against Hitler, but then, at the end of the war, we covered up for the cartel which had put the Nazis into power. And we're doing the same thing again.

This same cartel, is the cartel, which is controlling the politics, through the financial control of both the Democratic and Republican parties. And therefore, the issue is: Will the institutions of the United States, the real patriots in the Congress, the patriots of the Executive branch and the professionals, and other people—will they rally, to defend our Constitution and our nation, against these fascists? That is, the same syndicate of international, financial cartelists, who put Hitler into power in the 1930s? Are we going to submit to *them*, and let *them* run the Democratic and Republican Party? Or are we going to take the party back? If we don't take the party back, then this United States is finished. And the world civilization is pretty much finished.

So therefore, *we have to get rid of McAuliffe.* Because, if we don't get rid of McAuliffe, even though he's a jerk, he's a stooge, and the problem is, what he represents is a stooge—he and that fool, Shrum.

Open the Convention!

Schlanger: [Reads an e-mail] "What are the dynamics of the Democratic National Convention? More important there are those who want to keep it closed. Are there others, besides yourself, who are pushing for an open convention, and what can we do to get it?"

LaRouche: There are others pushing for an open convention, including circles around Clinton. As to whether they're as determined as I am, to make it an actuality, or whether they're making it a point of reference for the future of the Democratic Party—it's unclear. There are many reasons to do that.

We have two problems: We have Kerry. Now, Kerry, left to himself, is not much. He's not capable, as he's shown, he's not capable of being a President of the United States, in reality, that is, what we mean by a President of the United States. But rather, he's sort of a repetition of Bush. Bush is mean-spirited; Kerry tends to be less so, of course. George is rather stupid, mentally aberrant; Kerry is, in a sense, a normal human being, good-natured, intelligent. But, both are similar, in the sense, as they stand now, of being creatures, who could not really be the President in a time of crisis, but are sort of placeholders, for some team of people who would give the Presidency some kind of character. In the case of Bush, it has been largely the Cheney neo-cons, and some others, who have been the dominant controllers of the virtually empty chair, occupied by George Bush.

Now, in the case Kerry, it's a similar situation. We have two things that have come out: Kerry could be replaced as the presumptive candidate. There are various ways that could occur. One is that he simply agrees to give up his position, and releases his delegates, to vote their conscience. That would have to happen on the first ballot, presumably. That could happen. The crises that are now occurring could lead to that kind of conjuncture. If it doesn't happen, you have another process, which is: Who is going to control the Kerry campaign, and presumably the Kerry Presidency? Presuming there's some relationship between the two.

Kerry can't do it. Kerry can not win the Presidency, himself. Also, he would not be competent to be President, in and of himself. But, he could be a placeholder—maybe an agreeable placeholder—for other influences, advisers, so-called, who would actually induce him to make certain decisions in a timely fashion. That's a possibility.

Those are the options that are before us, now.

Apart from that, you're dealing with a situation, which is rather typical for me, as a forecaster. I've always insisted to people, you can forecast if you know what you're doing. But, forecasting does not mean predicting. Because, there's a factor of human free will, in all social processes. Therefore, you can forecast, where a current trend of policymaking is leading, to what reality, to what juncture with reality, crucial junctures, it's leading.

You can also indicate what the choices will be, when that point of crisis is reached, or approached. But, you can not say exactly how institutions will respond, because free will will intervene. But, you can then go another step, and show what the result would be, of choosing any one among the several alternative courses of actions, which can be chosen at that point, in the branching of the road.

Schlanger: ...What should delegates or Democrats do, who support you, who are not LaRouche delegates, but are going to the convention? Who would like an open convention, would like to have you present? What can they do?

LaRouche: Work with me, as a policy group. Irrespective of what their ties are to some presumptive candidacy, for President. Work with me as a policy group. And, use our joint force, to make sure these policies are forced into the floor.

The problem we have at the convention now, is the attempt of people like McAuliffe and the people who own him—or like Shrum, who's a real piece of work. These people are going to try to make a joke, a farce out of the convention. "You're gonna march in. You're gonna nominate Kerry. You're gonna pick a Vice President. And you're gonna go home!"

So, that's what the problem is.

So therefore, what we have to do, is, we have to blow the convention open in two ways: One way, an open discussion of the Presidency, not a foregone conclusion. Because there *is* no foregone conclusion. Even the selection of Kerry is not a foregone conclusion, as to what kind of a Kerry you're going to get, if you nominate him. Secondly, that you've got to blow

the convention open: The questions of policy, of national policy, *have* to be thrown on the table. Not just perfunctory, boolah-boolah, "Let's take the hometown boy, and bring him to victory."

A Question of Method

Michelle Lerner: I have a question about method, in fact. Because, I'll put it this way: Organizing in D.C., in particular, we've definitely created somewhat of a legacy with the "Children of Satan [III: The *Sexual* Congress for Cultural Fascism.]" pamphlet. And the first two specifically went after the mind-set of the neo-conservatives, of Dick Cheney, where these guys got their thinking from, so people could, in a certain way, put it outside of themselves, in looking at the issue as something else. But this pamphlet is something completely different, in the sense that, they now have to reflect upon how this current entered into the culture in the first place.

So, my question is, what was it, that allowed you to determine that now is the appropriate time to go after that? Really, the question of why is that the appropriate time to use that as a flank right now?

LaRouche: Well, first of all, because I think in terms of ideas. You know, people think in terms of conversations; I think in terms of ideas. Now, ideas may be mediated by conversations, but they have an existence which is independent of the vocal act of conversation. They're the ideas that people radiate, from the experience of, for example, conversation.

That was apparent to me—remember, the first issue of "Beast-Man," Beast-Man I, we circulated about a million copies or more. And then, Beast-Man II was a little less, but in the same order of magnitude. In the same period of time, we had influenced institutions of government and around government to build up a clear image of what this Iraq issue was. Our attack on the Beast-Man symbol, clicked, in terms of what the experience of the United States was, looking at the Iraq war issue, its inception and so forth.

So, a point came, somebody asked a question: Well, these terrible things happened to us. We made these stupid decisions to allow these kinds of people to run our government. How did our parents, and our grandparents, and we, become so stupid, we let this happen? So, Beast-Man III was the logical answer.

Of course, I knew it very well. But, it just was obvious to me, that, in the flow of ideas, which are radiating around us, and the intersection of these ideas, with the experience that people were having of the Iraq war and so forth, that the time had come—people would now ask the question: You've proven your case. Cheney is on the ropes; you put him on the ropes with this campaign. Now, explain to us, *how* we got here. Now, if we're going to solve the problem, we have to know how it happened. How did we become so stupid, that we would let this happen to us?

And, Beast-Man III gives you the answer, essential answer. It gives you an insight into the *inside*, of the American personality.

[Links to articles from *Executive Intelligence Review**](#).

[*Requires Adobe Reader®.](#)

Feature:

[The Vital Role of the Schiller Institute In Shaping History](#)

[by Nancy Spannaus](#)

A crucial part of the hidden history of the last 20 years is the story of the Schiller Institute, the international republican think-tank established in

1984 by Helga Zepp-LaRouche, a German political leader and wife of U.S. Democratic Party Presidential candidate Lyndon LaRouche. The shocking truth is that, without the energetic work and leadership of this institution in spreading the concepts it has championed of the American Revolution and the Weimar Classic, the world would be a much different, and worse place today.

The Nazi-Instigated National Synarchist Union of Mexico

Part 2, by William F. Wertz, Jr.

Part 1, which appeared in last week's EIR, traced the origins of Synarchism in Mexico, including the founding of the National Synarchist Union (UNS) by the Nazis and the Spanish Falangists, and its wartime role in support of the Axis cause.

Here, a new chapter begins, after Pearl Harbor and the Mexican declaration of war against the Axis powers: An anti-Roosevelt Anglo-American imperialist faction, acting through the Dulles-Buckley networks associated with Cardinal Spellman and Bishop Fulton Sheen of the United States, moved in to control the UNS.

Economics:

Against Malacca Piracy, S. Thailand Violence: It's Time for the Kra Canal

by Mike Billington

'The prospect of establishing a sea-level waterway through the Isthmus of Thailand, ought to be seen not only as an important development of basic economic infrastructure both for Thailand and the cooperating nations of the region; this proposed canal should also be seen as a keystone, around which might be constructed a healthy and balanced development of needed basic infrastructure in a more general way.'

Lyndon LaRouche, addressing a Bangkok conference in 1983

Hartz IV: Failing SPD Shocks Germany with Schachtian Cuts

by Rainer Apel

Everyone in his right mind should have assumed that after the election disasters of the past four weeks, Germany's Social Democrats (SPD) would think of some policy innovations aimed at winning back voters. But quite the opposite has happened: The SPD-led German government and the SPD party leadership gave the go-ahead for a 'reform' of labor market and social welfare legislation that represents the deepest cut—the worst threat to existing living standards of millions of German citizens—since the founding of this republic in 1949.

Tremonti's Resignation Dooms Berlusconi

by Claudio Celani

With the resignation of Finance and Economy Minister Giulio Tremonti on July 3, the Italian government led by Silvio Berlusconi has entered a turbulent phase which could end in an early dissolution of the ruling coalition. No figure is in sight who could replace Tremonti in the role of imposing controversial budget decisions on the coalition squabbling partners.

International:

Eurasia Powers Losing Patience With Cheney's Korea Crisis

by Kathy Wolfe

Voices in Moscow, Beijing, Seoul, and even Tokyo are being raised against U.S. Vice President Dick Cheney's policy of permanent confrontation with North Korea at the Six-Power nuclear talks, whose third round was in Beijing June 21-26.

Synarchists Declare Mexico 'Ungovernable'

by Benjamín Castro Guzmán

If Mexican patriots do not awaken from their strategic slumber, Mexico could be transformed, rapidly, into yet another of the 'failed states' which U.S. Defense Secretary Donald Rumsfeld hopes to create throughout the continent, to justify intervention by a multinational force spearheaded by the U.S. Army.

Time to Consolidate China-India Relations

by Ramtanu Maitra

The ease with which the newly-elected coalition government in New Delhi has begun to interact with Beijing, makes it evident that Sino-India bilateral relations have reached stability, and are quite capable of absorbing minor shocks such as change of leadership in either country.

Australia Dossier

by Allen Douglas

Covering for Fascist Laws: The 'Anti-Defamation' lobby has its roots in the notorious Congress for Cultural Freedom.

Lyndon LaRouche's associates in Australia's fastest-growing political party, the Citizens Electoral Council CEC), sponsored an ad in the Melbourne Age newspaper on June 15, which blasted the latest in a series of police-state laws proposed by the Liberal Party government of Prime Minister John Howard. Entitled 'Stop the Police-State Anti-Terrorism Bill 2004!' the ad concluded: 'Enough of this fascist legislation!'

Interviews:

The Pre-Emptive War Against Iraq Is an Evil Example

Aziz Alkazaz was born in Iraq and lives in Germany.

He is an economist and a leading expert on Iraq, working with the Deutsches Orient-Institut (German Institute for Middle East Studies) in Hamburg. He was interviewed on June 29, by Muriel Mirak-Weissbach.

French General Looks At U.S. Iraq Policy

General Christian Quesnot (ret.) was Chief of Staff of French President François Mitterrand, in the crucial period between April 1991 and September 1995, during which the Rwandan genocide and the Serbian genocide against Srebrenica occurred.

National:

Cheney's Lawyer Addington Penned Key Torture Memo

by Jeffrey Steinberg

David Addington, the General Counsel to Vice President Dick Cheney, was the actual author of one of the now-infamous White House 'torture memos' that claimed for President Bush the authority to violate the Geneva Conventions on the Treatment of Prisoners of War, in the so-called 'war on terrorism.' The immediate result of this Hitlerian document was the scenes of inhuman torture at the Abu Ghraib prison...

- **Abu Ghraib MP's Lawyer Targets DoD Chiefs**

Paul Bergrin is the civilian attorney for Sergeant Javal S. Davis, one of seven soldiers from the 372nd Military Police Company who have been charged by the U.S. Army with abuse of prisoners at Abu Ghraib prison in Iraq. Bergrin was interviewed by EIR Law Editor Edward Spannaus on June 30; a follow-up on July 6, is appended.

Halliburton, KBR and The Nigeria Slush Fund

by Michele Steinberg

The Department of Justice is investigating the operations of Halliburton's subsidiary KBR in Nigeria, and the investigation could well require the convening of a grand jury and the appointment of a special prosecutor, just as was required in the leak of the identity of CIA covert agent, Valerie Plame.

Chairmen Hunter, Goss Block Probes of Torture

by Scott Thompson and Carl Osgood

In early June, Democratic Presidential candidate Lyndon LaRouche called for the ouster of the Republican committee heads in the House of

Representatives who are obstructing, in a manner 'worse than Watergate,' investigations into the Abu Ghraib and other military prison torture and the Cheney corruption scandals.

Cheney Cat's-Paw, Porter Goss, As CIA Director?

by Ray McGovern

Ray McGovern, a CIA analyst for 27 years, is co-founder of *Veteran Intelligence Professionals for Sanity*. He is also the author of *A Compromised CIA: What Can Be Done?*, and authored Chapter 4 in *Patriotism, Democracy and Common Sense*, to be published in September by the Eisenhower Foundation.

U.S. Economic/Financial News

Enron's Lay May Yet Meet a Guy Named Spike

Former Enron chief executive Kenneth Lay was taken in handcuffs one morning this past week for an appearance in Federal court, to face an 11-count indictment containing one count of conspiracy, two of wire fraud, four of securities fraud, one of bank fraud, and three of making false statements to banks. The counts center on Lay's lying to Enron's creditors, employees, and stockholders in the months before Enron declared bankruptcy in December 2001. Lay said that the company was making a profit, while he was dumping his (increasingly worthless) Enron stock to the tune of \$24 million. A parallel civil complaint by the Securities and Exchange Commission charges Lay with insider trading, and seeks the return of \$90 million Lay pocketed selling Enron stock. "As Enron's chairman and chief executive, Lay was an engaged participant in the ongoing fraud, and must therefore be called to account for his actions," the SEC stated.

Since indictments began to be handed down against other former Enron execs, Lay has tried to paint himself as a detached corporate executive who knew nothing about what some "rogue" traders (loan assassins?) were illegally doing, supposedly behind his back. Yet Lay had refused to testify before Congress shortly after Enron declared bankruptcy, asserting his right against self-incrimination. In an interview with the *San Francisco Chronicle* in March 2001, Lay had lied that Enron traders never deliberately manipulated electricity prices, claiming that California officials believed in "conspiracy theories."

California state officials never bought the "rogue traders" theory, and Attorney General Bill Lockyear restated his hope not only of recovering tens of millions of dollars Enron stole from the state, but of seeing Lay face prison time in a cell "shared with a dude" named Spike, if he's convicted. California Senators Dianne Feinstein and Barbara Boxer, both Democrats, expressed confidence that the indictment will have an impact on the lawsuits the state has filed against Enron. That will depend more upon the political fight than anything in the indictment.

Lay-Enron-Cheney—A Long History of Corruption

From the time that Ken Lay turned Houston Natural Gas into Enron in the mid-1980s, to go from producing and selling energy, to making energy supplies hostage to a rigged "market," the Bush family has backed his financial schemes, as they have always been able to count on Ken Lay to help finance their way into public office. From George W's gubernatorial campaigns, to his run for the White House, Lay and Enron contributed millions to put him in office, expecting, in turn, to formulate crucial aspects of energy policy.

Even had there not been an ideological affinity between the Bushes and Ken Lay, there certainly was a practical one—before Halliburton there was Enron. After all, someone had to make a killing from the first Gulf War, so George Sr.'s friends and Cabinet members joined Enron after #41 left office, to "rebuild Kuwait," to reap the benefits of the spoils of war.

Ken Lay must have drooled over the chance to have the more malleable Bush the Younger in the White House, and a corrupt Vice President, who was in the "energy business." Lay, his cronies, and Enron, were the second-largest contributors to W's 2000 campaign. They even kicked in \$200,000 to help pay for Inauguration balls, etc. No surprise that it would be to Ken Lay and Enron that the President and Cheney would turn for "advice" on energy policy.

It is well known that Ken Lay met with Cheney during the secret deliberations of the Energy Task Force Cheney headed, and Rep. Henry Waxman (D-Calif) pointed out that 18 of the recommendations in the task force report were proposed or endorsed by Enron, centering on increased deregulation. White House appointments to the Federal agency responsible for regulating energy prices—which could have put a stop to the rape of California two years before it did—were vetted by Ken Lay. Bush-appointed, Lay-backed FERC chairman Pat Wood is a former lawyer in James Baker's Baker and Botts firm. He is now being asked to recuse himself, due to a conflict of interest, from decisions on licenses for liquified natural gas terminals, since he previously represented the interests of the firms involved. LNG is slated to become the next high-priced energy ripoff for American consumers.

Per-Capita Steel Output Down 50% since 1973

Indicative of the process of the "incredible shrinking" physical economy, is the sharp decline in production and consumption of steel in the United States, the U.S. Geological Survey reported in January. In 1973, the U.S. produced 137 million metric tons of steel, or 0.65 metric tons per capita. By 2002, the U.S. production of steel had fallen to only 91.6 million metric tons, or just 0.32 metric tons per capita. This collapse—by more than half in three decades, per capita—marks a collapse of *total* U.S. industrial capability.

Even if imports are taken into consideration, domestic U.S. steel *use* has fallen. Total steel consumption, including imports, was 146 million metric tons in 1973, or 0.69 metric tons per capita, dropping to 107 million metric tons, or 0.37 metric tons per person in 2002.

The takedown in domestic steel production is slamming auto parts suppliers, many of whom are facing possible bankruptcy, amid soaring steel prices.

U.S. Submarine-Building Industry Faces Submersion

The industrial base for producing submarines in the U.S. is facing extinction, experts warned at an industry conference sponsored by Sen. Christopher Dodd (D-Conn) in Groton, Conn., for about 150 submarine parts suppliers, the *Day of New London* reported July 7. Conference speakers said that the nation's ability to build submarines is imperilled by rising costs and a declining military fleet. Budget restrictions have limited the Navy's purchase of submarines to only 60% of the ships it needs. Speakers said the Navy has to build at least two submarines per year to maintain its fleet, but lamented that it is difficult to reach even that low level of production. The Navy plans to order at most just 11 submarines in this decade—down from 42 subs in the 1980s—a rate that threatens the survival of the industry, speakers said.

Ominously, today about 84% of the parts going into nuclear submarines are produced by only one company, since suppliers have gone out of business as the production rate dropped.

Submarine parts makers warned they are in a worse existential crisis than they suffered during the 1990s. "Today we're going to ask you to labor longer and harder.... What's at stake today is nothing less than the future of submarine building in this country," cautioned John P. Casey, president of Electric Boat.

This dire threat to the survival of the submarine industry, like the precarious situation facing auto parts suppliers, is one of

the signs of the disintegrating U.S. industrial base, pointing to the urgent need for Lyndon LaRouche's "Super-TVA" approach.

Kansas Wheat Harvest Down Nearly One-Fourth

The wheat harvest in Kansas has collapsed by 23% since 2003, as farmers face the consequences of decades of underpayment and the takedown of the physical economy. Kansas is the top U.S. producer of hard red winter wheat—the kind used for bread flour—and it is the largest exporter state for wheat and wheat flour. This summer's estimated crop of under 369 million bushels will be about 23% less than last year's (which was a decent, not a miracle level). The immediate circumstances of the fall in wheat harvest in Kansas include a prolonged drought in the western area, for the fifth consecutive year. There were also a late freeze and hailstorms.

But harvest fluctuations based on weather, insects, and so on, are to be expected. The problem is that, with the anti-agriculture, anti-industrial policies of globalization, farmers no longer have any margin to tolerate "normal" swings. They have been underpaid for their commodities, energy inflation has pushed up their production costs, the loss of the rail system has crippled transport, etc.

The wheat price per bushel to the farmer at present is in the range of \$3.50, which some media note is a fall from the nearly \$6 a bushel in 1996—which makes a fallacious, cynical point. In fact, the higher commodities prices received by farmers in 1996 lasted for only the few months during the period of the debate and enactment of the neo-con free-markets "Freedom to Farm" seven-year law ("Freedom to Fail"), signed by President Clinton April 6, 1996! Mysterious "market forces" intervened to push up prices to the farmers, just at that time. Then, within months, wheat and other prices fell back to where they were in 1995, and far lower, even hitting barely \$2.25 in 1999—way under cost to produce the commodity.

A western Kansan said of farming today, "We can't do this for another year. If this doesn't turn around by fall, we're going to be looking at extreme measures like getting rid of assets. Folks are about as discouraged as I've ever seen them." (Tim Burr, manager of the St. Francis Mercantile Exchange, to the *Billings Gazette* July 4.)

Other grainbelts are in the same condition, for example, Western Australia, a leading wheat producer. LaRouche associate Jean Robinson, CEC candidate in Western Australia, said in an *EIR* interview Feb. 16, 2004, "We've gone from having 300,000 farmers to fewer than 100,000 farmers in just 20 years...."

World Economic News

FAO Sees Fifth Consecutive Year of Decline in Grain Stocks

The UN Food and Agriculture Organization (FAO), in the June issue of its *Food Outlook*, released four times a year, states, "The new 2004/2005 marketing season may lead to a fifth consecutive annual drawdown of global cereal stocks." This refers to the total of all grains (rice, wheat and other small grains, and coarse grains such as corn and sorghums). This decline in grain carry-over stocks, commercial pipeline, on-farm, national reserves—which the WTO expressly forbids as "trade-distorting," but some nations, such as Japan, practice—is seen in the FAO statistics below. The trend shown reflects all the various aspects of an economy in breakdown—lack of infrastructure to compensate for adverse weather, high energy costs for agriculture inputs, loss of family farm systems in many big grain regions (e.g., North America, Australia), domination of grain trade by cartels, etc.

Year	World Grain Stocks (million metric tons)
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2000/2001	598.5
2001/2002	570.8
2002/2003	474.9
2003/2004	397.8 (est.)
2004/2005	362.7 (forecast)

United States News Digest

Cheney Booed Again, This Time in Ohio

It's not just New Yorkers who don't like the Vice President. According to Bob Schieffer of the Sunday morning program "Face the Nation," in his discussion with Republican Party Chairman Marc Racicot July 4, the Vice President was booed July 3 during his campaign tour of Ohio.

Apparently the protests and booing occurred despite the fact that Cheney is being toured around on a bus, and kept as far away as possible from ordinary people, except for private meetings of "hand-picked loyal Republican supporters." A reporter with the Vice President reported that the Veep is only being put in front of "very loyal supporters," because they don't want any conflict.

Surprises at the Conventions?

In a feature article in the *New York Times* "Week in Review" July 4, before Democratic presumed nominee John Kerry chose Sen. John Edwards as his running mate, author Richard L. Berke was spinning out scenarios about possible surprises at the Democratic Party convention: Kerry choosing Sen. Hillary Clinton, or Sen. John McCain, or even Al Gore as a Veep candidate, just to spice things up.

At the conclusion of the boring article about Kerry's likely boring choices, however, Berke turned to what Bush can do:

"After all, Mr. Bush could always dump Mr. Cheney. How about Vice President [Colin] Powell? Or, even, Vice President [John] McCain?"

"Improbable? Highly. Impossible? No."

Police, Firefighters Announce Picket Plans for Boston

Boston Police and Firefighters' unions' wage dispute with the city, and its Democratic Mayor Thomas Menino, is not likely to be settled in the time remaining before the Democratic Convention. Boston Police Patrolmen's Association president James Barry told the press on July 3 that the two unions do not plan to throw up picket lines around the Convention when it is concerned with "the nomination or the business that needs to be done at the Convention." However, Barry said, the unions will picket the 29 welcoming parties for delegates—since Menino is the official host of those—and will picket Menino's welcoming address to the delegates assembled as a whole.

The *Boston Globe* on July 3 reported on a round of calls to delegates nationally, all of whom said they would not cross

picket lines. So the potential for confusion at the beginning of the Convention, with delegates milling outside, is created.

Waxman Blasts GOP Leaders

Congressman Henry Waxman (D-Calif) described, in a *Washington Post* op-ed July 6, the absurd level of investigation into President Clinton's every move by the Republican-run House, and the refusal now to investigate the Wilson/Plame case; false claims about WMD and terrorist links in Iraq; the actual costs of Medicare when they were ramming through a bill; and Abu Ghraib torture and the memos. He quoted one Republican committee chairman on the torture: "America's reputation has been dealt a blow ... by the actions of a select few. The last thing our nation needs now is for others to enflame this hatred by providing fodder and sound bites for our enemies." He quoted Republican Rep. Ray LaHood on the blocking of investigations: "Our party controls the levers of government. We're not about to go out and look beneath a bunch of rocks to try to cause heartburn."

Waxman, who has taken the lead in numerous fights in the past months in the House, wrote that the "lack of accountability has contributed to a series of phenomenal misjudgments that have damaged Bush, imperiled our international standing, and saddled our nation with mounting debts."

GOP Aids Nader, But Ballot Status Still Elusive

Independent Presidential candidate Ralph Nader is making a renewed attempt to get on the Oregon ballot, with open support from the Republican Party in that state, reported *USA Today* on July 6. It is generally reported that the GOP is helping Nader's ballot-access efforts in half a dozen states.

At the moment, Nader has not qualified for any state's November ballot. He withdrew from the attempt to get on the Arizona ballot, in the face of a Democratic Party lawsuit. He seems close to ballot status in Washington State and Colorado. The Reform Party (national) has nominated him as their candidate, and has ballot slots in seven states, but each state's Reform Party can accept or reject him.

Tennessee Governor Asks for Health-Care Cuts

Saying he faces a state budget crisis, Tennessee's Governor, Democrat Phil Bredesen, is proposing possibly murderous changes to the state's medical coverage to the poor. The "least costly" treatments, rather than standard good medical practice, would be the new rule of thumb for state coverage for the poor. The number of doctor visits and the number of prescriptions per person would be arbitrarily limited. Certain classes of prescription drugs, such as antihistamines, would be prohibited in the program as being too costly, and would be replaced by over-the-counter drugs at the patient's expense.

Other states are said to be watching the outcome, perhaps to follow the same drastic route. Bredesen says he'll have to end the state coverage for the poor altogether unless that coverage is cut back. Bredesen will ask the Bush Administration for waivers from the Medicaid law to be able to put this proposal into effect in January.

Phil Bredesen himself became a millionaire in the HMO business before becoming Governor in 2002. His fellow Democrats control the Tennessee Legislature, and Tennessee's Bill Frist, the Republican leader of the U.S. Senate, supports the Bredesen austerity proposal.

Bush Administration Issues Alarm for Madrid-Style U.S. Terror

Homeland Security Secretary Tom Ridge called a press conference July 8, to announce that "credible reporting now

indicates that al-Qaeda is moving forward with its plans to carry out a large-scale attack in the United States in an effort to disrupt our democratic process." Based on the attack in Madrid, plus recent interdictions in England, Jordan, and Italy, "we know that they have the capability to succeed," declared the man in charge of ensuring no such incident *does* succeed.

Ridge announced that the Democratic and Republican Party conventions are considered targets, and so have been designated "national special security events," under which the U.S. Secret Service becomes the lead agency for securing these sites. Asked specifically whether the Administration had "any specific, credible intelligence that terrorists are targetting" the conventions, Ridge replied flatly: "We do not."

Ridge's press conference was the culmination of a series of hush-hush "threat briefings" to Congress, which began Tuesday night (July 6), with a special briefing given to the House and Senate leaders—Hastert and Pelosi, Frist and Daschle—in the White House's secured Situation Room. Senate Republican Majority Leader Bill Frist emerged from the briefing to tell reporters that they discussed "homeland security issues" related to the party conventions. Present at the briefing in addition to Ridge and his deputy, Asa Hutchinson, were Vice President Dick Cheney, Attorney General John Ashcroft, CIA chief George Tenet, FBI Director Robert Mueller, and Terrorist Threat Integration Center director John Brennan. Members of the House then received a classified briefing from FBI, CIA, and Homeland Security officials on the terrorist election threat the next morning, while the briefing to the full Senate took place on July 8, before Ridge's public press conference.

Election Chief Demands Guidelines for Cancelling Vote

Forest DeSoaries, the Republican chairman of the Election Assistance Commission, sent letters last April—the same month that former Spanish Prime Minister Jose Maria Aznar warned of Madrid-style terrorism in the U.S.—to Homeland Security Director Tom Ridge and National Security Advisor Condoleeza Rice, urging that Federal guidelines be developed for cancelling or suspending the election, in case of a major terrorist incident, AP reported June 25. Whether the elections are cancelled, or not cancelled, he said, has major political implications, and so it is necessary to discuss "who makes the call, under what circumstances the call is made, what are the constitutional implications?" Since he has gotten no answer, Soaries is now going public with his demand that this be discussed.

Ridge, when asked about the proposal at his July 8 press conference, answered that while he had read the letter, "I don't exactly agree with his conclusion. But there are constitutional and security questions that are certainly involved, and we're working on them. And certainly he will be involved in—that individual in that group will be involved in the process."

The "Election Assistance Commission" is a new "independent, bipartisan" body, created out of the same 2002 Help America Vote Act (HAVA) which mandated electronic voting machines in elections. The Commission's purported job is to serve as a "national clearinghouse and resource for the compilation of information and review of procedures with respect to the administration of Federal elections," with such vague powers as to "promote the effective administration of Federal elections," and develop voluntary voting system guidelines, etc. For his part, Soaries, who was Secretary of State of New Jersey for several years, is no big shot, a black politician who started as a Democrat working with Jesse Jackson's PUSH operation, then became an independent, and then a Republican, pushing "empowerment." Whoever he is, the issue of cancelling the elections has now been placed on the table.

U.S. Soldiers Untrained for Many Assignments

The stress placed on the Army by the demands of the Iraq war, was the major topic of discussion at a hearing of the House Armed Services Committee July 7, with concerns expressed from both sides of the aisle. Ranking Democrat Ike Skelton (Mo), noting that units are returning to Iraq for second tours less than a year after the first time around, and noting the call-up of the Individual Ready Reserves, the use of stop-loss orders, and so forth, said, "Each of these measures is a concern ... but, taken together, they pose for me a serious alarm. We're managing this conflict with stop-gap measures as if the end is

near." He added, "The demand is so high I think we're taxing our part-time soldiers in the Guard and Reserve nearly to the breaking point."

Lt. General Norton Schwartz, director of operations for the Joint Staff, presented to the Committee the Pentagon's plans for the next rotation into Iraq, the bulk of which will occur between November of 2004 and March of 2005— a rotation which, notionally, will be slightly smaller, down from the present 140,000 troops to 135,000, but will be heavier, with more tanks and armored vehicles than the present force. It will also include a slightly higher percentage of National Guard and Reserve troops, and will see the return of the 3rd Infantry Division and the 3rd Armored Cavalry Regiment for second tours. Second-tour troops will make up 55% of the rotation.

General Richard Cody, the Army's new vice chief of staff, agreed with Skelton that the Army is, indeed, stretched thin. He also reported that there are units in Iraq doing tasks for which they weren't trained—and not just National Guard and Reserve units, either. "Our entire force is doing that," he said. He noted that multiple-launch-rocket battalions are doing ammunition-handling missions and air defense artillery formations are doing cordon-and-searches, and that this is going on across the active duty, National Guard, and Reserve units.

Ibero-American News Digest

Argentine President's Visit to China Highly Successful

Argentine President Nestor Kirchner paid a state visit to China June 28 to July 2, categorizing its success as a "12" on "a scale of one to 10." With a delegation that included cabinet ministers, legislators, nine provincial governors, and 250 businessmen, the trip involved more than 700 meetings over the five-day period, between representatives of the different sectors on both sides. Kirchner characterized the visit as "the most important trade mission" in Argentina's history. He used the opportunity of the trip to take a public swipe at the International Monetary Fund.

Plans have already been announced for Chinese President Hu Jintao to visit Argentina in November. The Chinese President also indicated that his government hoped to expand trade with the Common Market of the South (Mercosur), working through Argentina.

Numerous agreements were signed relating to many different areas of the economy. In their personal meeting June 28 in Shanghai, Kirchner and Jintao agreed to set up a working group at the Deputy Finance and Trade Ministerial level to discuss projects of mutual interest. They also discussed the creation of binational companies. In subsequent meetings throughout the week, particularly among businessmen, a variety of other agreements were signed, defining specific export-import, infrastructure, and investment projects.

Nuclear Energy on Argentine-China Agenda

During President Kirchner's state visit to China June 28-July 2, it is noteworthy that the Argentine delegation included representatives of the respected technology company Invap, which is deeply involved in the nuclear industry—inside Argentina and internationally—and the ENSI company, producer of heavy water. Both of these companies are owned by provincial governments: Invap by Rio Negro, and ENSI by Neuquen. Also of interest, was the report by Planning Minister Julio de Vido, who said there is great interest in forming a "strategic alliance" between Chinese mining and oil companies, and Argentina's newly created state energy company, Enarsa, "to take action in those unexplored areas in Argentina's south."

Kroll Joins Chorus of Synarchist Attacks on Argentina

Kroll Associates, long an instrument of British imperialism, joined the chorus of synarchist attacks on Argentine President Nestor Kirchner, using the pretext of the Jacobin violence unleashed in recent weeks by the "*piquetero*" hordes of unemployed. During a June 1 seminar sponsored by the Inter-American Bar Association in Madrid, Kroll vice president Frank Holder charged that the Kirchner government is "financing" the *piqueteros*, creating an unwelcome environment for foreign investors. Holder echoed the arguments put forth by former Presidential candidate Ricardo Lopez Murphy, who has repeatedly attacked Kirchner for failing to deal with the violence, making Argentina very "vulnerable" to chaos. From Chile, Argentina's pipsqueak former President Carlos Menem warned June 30 that the state of Argentina borders on "anarchy" and "disintegration."

The chaos is precisely what the synarchists want, so they can get rid of Kirchner.

It should be said that the *piqueteros*, many of whose leaders receive World Bank-financed subsidies for the unemployed, are not a minor problem. They are becoming increasingly violent and have targetted Buenos Aires, the capital. To the degree that Argentina remains in an economically precarious state, and Lyndon LaRouche's policies are not implemented, the situation does become ripe for chaos. There are people inside the Kirchner government who are part of this scenario. Notably, one of the speakers at the Madrid seminar was Juan Carlos Blumberg, whose son was kidnapped and killed a few months ago in Buenos Aires. He has become a tool of the "anti-corruption" forces inside the government, typified by Justice Minister Gustavo Beliz, who coordinates closely with Transparency International to "reform"—dismantle—such institutions as the police force, which he claims are responsible for the high rate of crime, kidnappings, etc.

Argentina: Conditions Might Make Debt Unpayable

An "external shock" could affect Argentina's ability to pay its debt, the Kirchner government warned in a "shelf registration statement" presented July 2 to the U.S. Securities and Exchange Commission (SEC), required as part of the process of restructuring \$99 billion in defaulted debt. The document adds that given high levels of poverty and unemployment, it may be difficult, if not impossible, to implement measures dictated by the International Monetary Fund. Such austerity measures "may not be successful, and, moreover, may be unpopular, and generate social and political unrest," the document states, according to the July 5 edition of the daily *Infobae*.

EIW has not yet reviewed the full document, but judging from excerpts published in the Argentine media, plus hysteria from financial predators, London and Wall Street are alarmed. The statement indicates that, given political opposition in the Congress to austerity—which the government states somewhat coyly it is *trying* to implement—"the government might not be able to meet obligations made to creditors, including those who agreed to restructure the debt, by participating in the offer, were there to be a significant political opposition to these obligations." In addition, "there is no guarantee that the government's decision to complete the offer will definitively resolve Argentina's existing default, *or that the government can make the payments on the new bonds until they reach maturity*" (emphasis added).

As for potential "external shocks" referenced, the document warns that any new crisis in an emerging market could seriously affect Argentina's ability to pay debt, pointing to what happened in previous crises, such as Mexico in 1994, Asia in 1997, Russia in 1998, and Brazil in 1999. It emphasizes that Brazil is again a potential crisis spot, noting that any drop in that country's Gross Domestic Product would have disastrous consequences for Argentina, as Brazil is its most important export market. It also warns that there are a number of other factors, such as international interest rates, over which the government has no control, and which could affect it negatively.

Colombia Opens Dialogue with Narcoterrorists

In what is being viewed with widespread skepticism both inside and outside Colombia, the Alvaro Uribe government has

begun negotiations with 10 leaders/negotiators of the so-called United Self-Defense Forces of Colombia (AUC), otherwise known as the "paramilitaries." Ostensibly formed to counter the threat of the FARC/ELN narcoterrorists of the "left," the AUC is in fact an umbrella for a variety of drug-trafficking, kidnapping, and other criminal elements, and the majority of its leaders are wanted for extradition to the U.S. on trafficking charges.

In an eerie repeat of what former President Andres Pastrana did with the FARC back in the 1990s, to try to kickstart a doomed "peace process," Uribe has set aside 142 square miles of land for the AUC in the northern state of Cordoba (long a paramilitary stronghold), where neither arrest nor extradition warrants may be served against the armed AUC leaders, and where 400 "paras" have agreed to be confined for the duration of the negotiations with the government. Although the Colombian military is supposedly deployed to contain the AUC within the defined area, the military has never had any support in this region of the country, and its patrols are not expected to be anything more than symbolic.

The Uribe government's willingness to begin the negotiations was based on the AUC's agreeing to a ceasefire, but in fact, there are few who believe the ceasefire will take hold, and the AUC negotiators have already demanded that the terms of the ceasefire be redefined as a condition of the talks. A major sticking point of the talks is expected to be whether the known criminals among the AUC leadership will do jail time—in Colombia or in the U.S.—or whether they will get a blanket amnesty. Colombian law currently requires demobilized fighters found guilty of human rights violations to serve a minimum five-year sentence. Kofi Annan of the UN has already said that there must be no de facto immunity granted the paras, and that their disarmament must be the primary objective of the talks.

While there were many local and national leaders attending the opening of the talks, U.S. and European ambassadors, and the majority of South American ambassadors to Colombia as well, chose not to attend, as an expression of their "reservations" about this latest phase of Colombia's fatally flawed "peace process." Until the IMF-dictated economic conditions that underlie Colombia's dynamic of violence and instability are addressed, no amount of negotiations, concessions, and threats will bring this country any closer to real peace.

Nazi Narcoterrorists Strike Again in Ayacucho, Peru

Thousands of "protesters" overran the Peruvian city of Ayacucho, the former birthplace of the narcoterrorist Shining Path, on July 1, after protests stemming from a nationwide teachers strike turned into a violent rampage. City government buildings were wrecked and burned, including the municipal justice palace, the mayor's residence, hotels owned by the mayor, etc. Demonstrators prevented fire fighters from controlling the fires; ATM machines were broken into and looted; an estimated 40 people were injured, and 15 arrested. The state stopped short of declaring a state of emergency, instead sending in several hundred additional police to try to control the crisis.

All departmental records on drug-trafficking and terrorism were destroyed in the fire.

A tense calm reportedly exists at the moment. While the teachers' union blames the police for provoking the violence, the Interior Ministry blames the infiltration of Shining Path terrorists into the situation. This news service's Lima bureau, however, warns that the attack in Ayacucho demonstrates how far the operation to build a "narco-Synarchist" movement in the country has already advanced. In our last issue, *EIW* published, in its In-Depth section, a groundbreaking exposé of how the so-called Humala "ethno-nationalist" movement, which is uniting cocaleros, Shining Path terrorists, and poor Army reservists, is financed and supported by both Hugo Chavez's government in Venezuela, and old Nazi and Franco-ite oligarchic networks.

Bolivia Faces Terror Upsurge on Referendum Day

After eight hours of debate, the Bolivian Congress voted July 6 to approve a referendum on the Mesa government's

proposed oil and gas policy, to be held on July 18. The referendum is being described by many analysts as a litmus test for whether the nation-state of Bolivia survives or not.

The narco-Jacobin hordes are already being mobilized to set the nation aflame around the issue of the referendum. Indian provocateur and former Congressman Felipe "el Mallku" Quispe, an active collaborator of the Nazi Humala gang in Peru (see above), held a press conference on the doorstep of the National Congress that same day, to promise a virtual Indian uprising to stop the referendum from being held. Quispe outlined the sabotage measures he and his coca-growing dupes will take, including blocking highways and roadways and holding "community assemblies" starting on July 16, and ultimately seizing and burning ballot boxes on the day of the vote, July 18. He called for the Indian population of Bolivia to create a "state of siege" comparable to what the Aymara Indians have done in Ayo Ayo, the border town whose mayor was murdered last month by a Jacobin mob in the name of "community justice." Outside authorities have been refused admission into the town ever since.

President Carlos Mesa plans to deploy military and police July 18 to try to protect the voting, but Quispe has responded: "We are going to dictate a state of siege, like they have now in Ayo Ayo where original law reigns, and we aren't interested in the other laws or that they will come out with military and police."

Mesa has said he will resign if he loses the referendum.

Western European News Digest

Former BBC Chairman Denounces Blair Witch-Hunt

BBC chairman Gavyn Davies said in a July 6 speech that the Blair government has waged a campaign against the BBC "in a remorseless and aggressive manner, with scant regard for the freedom of the press, or the independence of the BBC." The *Guardian* received a copy of the speech, delivered at Middlesex University. Davies and BBC director general Grey Dyke, who is now writing his memoirs, resigned in January in the brawl over weapons expert David Kelly's "suicide" and the Hutton Report whitewash of Prime Minister Tony Blair and his government, in the Kelly death and the question of hyping of Iraqi WMD, before the Iraq war.

The pre-Hutton BBC had twice interviewed Lyndon LaRouche on the Cheney neo-cons in the U.S. and Iraq.

Davies said he was "proud" to have stood up to Downing Street. "They may have thought that they were pursuing a legitimate grievance. From where I sat, their methods of seeking redress for that grievance looked more like a witch-hunt."

Davies said BBC governors had agreed to a strong defense against the Blair government's objections of its coverage of the now totally discredited Iraq dossier. "In a historic decision, the governors roundly rejected these complaints, and the manner in which they had been made, and reasserted the right of the BBC to report British and international politics without interference from Downing Street. I was proud to be chairman of the governors that night, for it would have been much easier to have bent the knee to No. 10."

Davies criticized Downing Street's treatment of weapons inspector Dr. Kelly: "The government discovered that David Kelly was the source of the BBC story, and instantly decided to expose him, and discredit him, simultaneously. When David Kelly tragically committed suicide, the government found Lord Hutton to conduct a public inquiry. The evidence given to Lord Hutton suggested both the BBC and the government may have made some errors, but much of the gist of Mr. Gilligan's original story had been correct."

BBC To Be Cut Down to Size

The July 6 *Guardian* reported that a broad review of "editorial policy" at the BBC took place after the Hutton Report, and the result is a new regime, including cost-cutting and separation of the directors and the Board of Governors, who were alleged to be "too close" to control of the directors. A "journalism school" is to be set up to train reporters, clearly to exert greater editorial control. The BBC 10-year royal charter is up at the end of 2006, and a lot of changes are to be made in the interim.

The new director general, Mark Thompson, and chairman Michael Grade agreed that BBC programs should have to pass a "public value test." They also agreed to a "reformed" board of governors independent of BBC management, which would hold BBC management "to account."

Chancellor Schroeder Imposes Silence on SPD

In response to the public uproar against the planned "Hartz IV" labor/welfare cuts, Germany's Chancellor Gerhard Schroeder deployed the head of his office, Frank-Walter Steinmeier, to summon leading politicians of the Social Democratic Party (SPD) to Berlin July 6, telling them not to make any more public statements on the issue, because "too much is being said, too much damage has been caused already."

SPD leaders have been instructed to keep their mouths shut until after the closed-door session of the government on details of how the Hartz IV package is to be implemented.

This leak from a leading SPD source converges with the other leak, broadly covered in the press July 7, that during Monday's special meeting with labor union leaders, the Chancellor threw a fit, yelling that he represents labor and not the labor leaders.

Saxony Government's New and Dangerous Welfare Scheme

Press in the eastern German state of Saxony reported July 7 that the Saxon government will offer "relief" to municipalities that are faced with bankruptcy because of skyrocketing expenses for welfare.

The government plans to scrap fixed entitlements of state loans to municipalities for infrastructure projects, such as construction of schools and hospitals, roads, and water supply, and replace these with "free" funds that can then be spent on welfare and other social expenses.

For the fiscal years 2005 and 2006, this involves 90 million euros and another fund of 55 million euros, plus 200 million which will be "granted" to the municipalities via cancellation of their tax debt to the Saxon state. Furthermore, 55 million euros will be made available in the program for fiscal years 2007 and 2008.

Malaysia-Germany Trade Increasing

Trade volume between Malaysia and Germany is expected to reach \$1.84 billion in 2004, up from about \$1.76 billion in 2003, through enhanced economic bilateral relationships, said Wolfgang Trautwein, Germany's deputy head for economic relations with Asian Pacific countries.

"The German government is intensifying efforts to help small and medium-sized enterprises (SMEs) find business partners

in Malaysia," he said, adding that the Malaysian-German Chamber of Commerce and Industry (MGCC) had been bringing in delegations from Germany for this purpose.

Trautwein is accompanying 10 SMEs from the state of Saxony who will be holding up to 60 meetings over the next two days, with 20 Malaysian companies to discuss possible joint ventures, trade, or distribution partnerships.

German delegates represent textiles, shipbuilding, fire protection and rescue, machine tools, and agriculture. The Malay timber industry was identified as having the highest potential for increased trade between the countries at July 5 joint meeting in Kuala Lumpur, Malaysia.

Saxon Christian Democrats in Panic Over Vote Losses

The incumbent Saxon state government is run by the Christian Democrats with a solid absolute majority of 56%, which is more than five times the SPD's 10.7% in the 1999 election, but the CDU is far from secure, because it lost 9% of the 1999 vote in the June 13 European elections. In municipal elections that same day, the CDU lost votes massively in Leipzig and Dresden, despite the party having deployed two of its most prominent members, Robert Clemen and state CDU vice chairwoman Christine Clauss, into salvage the vote. Victory in the Sept. 19 state parliament elections in the Leipzig, Dresden, and other districts is not at all secure. The mood among considerable sections of the Saxon population is certainly *not* for the SPD, but is it not for the CDU, either. There is panic in both parties.

Chancellor Schroeder's Hectic Day in Moscow

Accompanied by a dozen industrialists, German Chancellor Gerhard Schroeder arrived in Moscow July 8, where he met with President Vladimir Putin, before proceeding to the Financial Academy, where Schroeder delivered a speech and held a discussion with students of the academy.

In the evening, Schroeder and Putin attended the German-Russian industrial seminar, which included, on the German side, leaders of Siemens, EADS, Daimler-Chrysler, Knauff, Metro, Ruhrgas, EON, Lufthansa, Deutsche Bank, and Commerzbank, among others.

Russia was represented by President Putin, and leaders of Gazprom, Irkut, Aeroflot, Lukoil, RusAl, and Sberbank, among others.

New Left Party Takes Shape, But Short on Program

Meeting in Berlin July 3-4, leaders of at least 40 to perhaps 70 local and regional dissidents of labor unionists, Social Democrats, and disgruntled members of other leftist parties resolved to form an "Election Initiative Labor and Social Justice" with a national coordination center. Those meeting in Berlin claim to represent about 10,000 voters nationally.

The initiative is preparing to run as an independent party or election alliance separate from, and against, the SPD in elections from 2005 on. It plans to run in elections for state parliament in North Rhine-Westphalia and Schleswig-Holstein in spring 2005, if the government's Agenda 2010 and its most brutal part, the new Hartz IV welfare package, remains German government policy.

The initiative's programmatic proposal is weak, calling for reversal of the Hartz IV package and essential aspects of the health reform, increased taxes for higher income-earning citizens, and reviving the property tax. There is no pro-investment, pro-growth proposal.

Russia and the CIS News Digest

Fiscal Austerity Bill Advances in Russian Duma

The Russian government's regressive plan to substitute cash payments for the free or discounted transportation, and other services and benefits, that Russian veterans, pensioners, and the disabled have received since the Soviet period, cleared its first reading in the State Duma July 3 by a vote of 296-123. The legislation, which affects 34 million Russians, including 14 million war veterans, is one of several projects to "modernize" the Russian social sector by imitating the worst fiscal austerity practices of the West. Others include pension funds controlled by market speculators, and residential utilities price reform.

The conflict between the impulse toward a more national-interest-oriented economic policy, and these cuts in the already low living standard, is a central paradox in current Russian economic policy. As President Vladimir Putin continues to maintain that reducing poverty is one of his three top priorities, the government has rewritten the bill, supposedly to mitigate its impact. Calculations have been published in the Russian press, showing how far short of the value of the benefits, the cash payments will fall. On June 24, Health and Social Development Minister Mikhail Zurabov told the Duma that people will be allowed to choose between continued in-kind social benefits and the cash payments. Zurabov also denied that the government intended to revise the list of people eligible to receive benefits because of their service during World War II.

Two-thirds of the majority United Russia bloc voted for the bill in the first reading. There have to be two more readings.

Several tens of thousand Russians demonstrated against the bill in Moscow and other cities during the Duma hearing, because they are not confident that the new policy will secure their living standards, and suspect the contrary.

Government Insists Russian Bank Panic Is Not 'Crisis'

On July 6, Gута Bank, the 22nd-largest bank in Russia (in assets), suspended operations. Beginning July 7, there was a run on Alpha Bank, the fourth-largest, but Russian Central Bank head Sergei Ignatyev went to the Duma to assure the nation that "there is no crisis." The Central Bank's decision, late on July 7, to cut the mandatory reserves level for Russian banks in half, sent a sigh of relief through the banking sector. Negotiations were reportedly under way for Vneshtorgbank (the former Soviet Foreign Trade Bank) to acquire Gута Bank, yet people continued to wait in line to get their cash out of Alpha Bank and a number of other institutions. Prime Minister Mikhail Fradkov, addressing the Cabinet on July 8, said that the situation in banking was "favorable" overall and would become stronger through "voluntary mergers" to create larger banks. But he sounded far more nervous than usual, as he asserted that the Central Bank "is overcoming the problems that have come up for objective as well as subjective reasons."

In a country where people's savings were thrice wiped out—by shock therapy in 1992, the currency crisis in 1994, and the bond default/banking crisis in 1998—the difficulties of several small and medium-sized banks rapidly turned into panic. People stood in line overnight to get their money out of Alpha. In May, the Central Bank revoked the license of Sodbiznesbank on charges of criminal money-laundering. Another bank, CreditTrust, suffered a run based on rumors of its ties with Sodbiznesbank, and went into liquidation. Several other small banks imposed ceilings on withdrawals and stopped taking new business. Between April 1 and May 15, Russian banks' total liquidity shrank from R518 billion to just over R200 billion. The cost of inter-bank credits rose from 8% to 16% in one week in May. *Kommersant* noted July 6 that the inter-bank credit crisis over the past month has already reduced reported economic growth in Russia.

The Russian banking sector is relatively small. With the exception of the state-owned Sberbank (Savings Bank), which accounts for half of all deposits in Russia, the banks each have small capitalization and have yet to become a major credit-generating facility for the economy, in the absence of a national policy to make this happen. Many of the banks are closely tied with one or another industrial group, and some of them are, accordingly, involved in tax evasion and capital flight. Guta Bank is linked with Sistema Corporation, a telecommunications, electronics, and investment company involved in expanding Russian economic cooperation with countries in Southwest Asia, among other projects.

In its statement about the suspension of operations, Guta Bank said it had suffered an outflow of R10 billion (\$344 million) in June, leaving insufficient liquidity to make checking account payments or cover withdrawals from savings accounts. Itar-TASS quoted unnamed sources as saying that Guta Bank's rivals had maneuvered to cut off loans to Guta and present bills for payment. According to *Vedomosti*, major corporate clients of Guta, like the communications giant Svyazinvest and ex-privatization official Alfred Kokh's Montes Auri ("Mountains of Gold") investment outfit, were tipped off and got their money out of Guta before accounts were frozen.

Economist Alexander Livshits, a government official in the 1990s, wrote in *Izvestia* that the crisis was "produced from nothing." Evidently troubled that it would be used as an excuse to reshuffle the Central Bank leadership, Livshits stressed that the Central Bank is managed by "qualified and decent people." The analysis alluded to by Livshits is that the crisis is being fanned by private interests, in order to precipitate a purge of the Bank of Russia (Central Bank). Rumors that the run on Guta Bank and Alpha Bank had been instigated by enemies of the current Central Bank leadership, were bolstered by July 8 comments from Presidential adviser Andrei Illarionov. That radical free-marketeer blamed the Central Bank for the current crisis, saying that any and all of the CB's policies involving exchange controls, reserve requirements, and other regulations, were nothing but "silent socialism."

The government is preparing legislation for a deposit insurance system, which would cover deposits up to R100,000 (\$3,450). In preparation for this law, banks are being audited. Those that have lied, or are "not transparent," will lose their licenses; Central Bank officials have said that 300 banks will fail to qualify.

On July 8, Moody's rating service put 18 Russian banks, including Alpha, on a "watch" list for potential downgrading. At one of them, Bank of Moscow, depositors wishing to withdraw funds were being told on July 8 to sign up for an appointment several days later.

Mont Pelerinite Specter Over Russian Social Sphere

The July 8 address to the Cabinet by Russian Premier Fradkov was an hour-long presentation of the government's priorities. It contained a heavy dose of the radical anti-general-welfare schemes, which have been promoted in Russia with special fervor by Presidential adviser Andrei Illarionov, especially since he arranged a four-hour audience for leading international Mont Pelerin Society activists with President Putin earlier this year ([**EIR #19, May 14, 2004: "Mont Pelerinite Walpurgisnacht in Moscow"**](#)).

Fradkov did voice a commitment to improve the standard of living and he did present an outline for upgrading infrastructure in major areas, including roads, ports and pipelines. But the new element was more ominous: "Public-private partnership," Fradkov said, "above all means the consolidation of business and government around social projects." What this means, he said, is that "the social sector should become the main generator of economic growth," through "pushing non-market elements out of the social sector; new management for social projects, up to and including a managerial revolution (attracting managers from private companies into the social sector), and developing transparent and understandable rules of the game for businessmen who become active in public-private partnership." In Russia, "the social sector" means large areas of "soft" infrastructure: education, health care, pensions, transportation, housing, and other services. Alongside the intended elimination of benefits for millions of Russians, Illarionov is vigorously promoting a deregulated, "free-market"

approach in all these areas. Jose Pinera, father of Chile's privatized pensions reform, is one of the visitors he brought to meet with Putin.

Russian Communist Party Splits

The long-brewing split of the Communist Party of the Russian Federation is under way, as Central Committee plenary sessions and congresses were held, on July 1 and July 3, respectively, by two rival CP groups. The congress schedule was set long in advance, but several commentators called it "no accident" that the CP split coincided with the government's push to get State Duma approval for a social benefits reform bill, which will slash benefits to millions of Russians. The CPRF has been a major opponent of these fiscal austerity cuts.

Reportedly, 86 members of the CPRF Central Committee attended the plenum that supported incumbent party chief Gennadi Zyuganov, while 96 gathered at a meeting associated with businessman Gennadi Semigin (expelled from the CPRF in February), which elected Ivanovo Province Governor Vladimir Tikhonov. After the July 3 rival congresses, both groups are seeking validation by the Ministry of Justice as the real CPRF. On July 5, Zyuganov sought support in a meeting with President Vladimir Putin, who promised to "look into" the matter.

Soros Brags About Georgia Coup, Targets Uzbekistan

In a July 5 interview with the *Los Angeles Times*, megaspeculator George Soros announced that his Open Society Institute (OSI) will now prioritize undercutting "repressive regimes" in Central Asia. In particular, Soros called the government of Uzbekistan, which just recently refused to register the OSI in that country, "very repressive." Soros not only acknowledged, but downright boasted of, having brought Michael Saakashvili to power in Georgia. "I'm delighted by what happened in Georgia," he said, "and I take great pride in having contributed to it."

Less than two years ago, Soros announced he was scaling back his operations in Russia and the former Soviet Union, in order to prioritize the United States as the front lines of Open Society organizing. This has translated into a big presence of Soros and his money, in and around the Democratic Party.

Southwest Asia News Digest

Int'l Court Rules vs. Israeli Wall; Bush Rushes to Sharon's Defense

The Bush Administration has come out in critical support of Israel's position that the ruling by the International Court of Justice in The Hague, against Ariel Sharon's Berlin Wall on the West Bank, is wrong and will be ignored, the Israeli paper *Ha'aretz* reported on July 9.

"We do not believe that that's the appropriate forum to resolve what is a political issue. This is an issue that should be resolved through the process that has been put in place, specifically the Road Map," Bush's spokesman said. "We have underlined that the wall not only results in confiscation of Palestinian land and causes untold humanitarian and economic hardship, but also could prejudice future negotiations and hinder a just political solution to the conflict."

By contrast, the European Union has called for action on how Israel can comply with international law. EU foreign policy chief Javier Solana said, "After the legal picture has become clear, the international community should consider how to get Israel to abide by international law." European Commission spokesman Jean Christophe Filori said, "The European Union continues to call on Israel to remove the barrier from inside the occupied territories, including in and around East Jerusalem."

Jordan, which as an active partner with the Palestinians in bringing the issue before the ICJ, hailed the decision. "The ICJ's ruling, that was adopted with a large majority of 14 judges out of 15, represents a large legal, ethical and political weight which Israel cannot ignore," Jordanian Foreign Minister Marwan Muasher said. "The decision indicates that the tribunal has accepted all Jordanian arguments and rejected all pretexts cited by Israel, which alleged the construction of the wall was a strategic requirement necessitated by security considerations." He added that his government was "appraising the implications of the decision with a view to taking all necessary steps to urge Israel to implement the ruling."

The Arab League will bring the issue to the General Assembly. "The General Assembly now will be called upon to look into this matter," Yahya Mahmassani, UN Ambassador from the Arab League announced.

A preliminary reading of the ICJ ruling reveals that all the arguments presented by Israel, and supported by the Bush Administration, as well as by political personalities such as Senators John Kerry and Hillary Clinton, were brought before the court. This included the question of jurisdiction and so-called "appropriateness," in light of the claim by Israel that this is a political dispute. On all of these issues, the court ruled in favor of the Palestinians, citing chapter and verse of the UN Charter and previous precedents and ruling.

The most interesting is that it ruled in favor of the Palestinian claim that the General Assembly acted because the Security Council was deadlocked on the issue, because of the U.S. veto of a resolution calling for the rerouting of the wall along the 1967 borders.

Israel Refuses Quartet Meet; Bush-Sharon Rift Widens

On July 6, the Israeli government of Prime Minister Ariel Sharon refused to meet with a delegation representing the Quartet (the European Union, the United States, Russia, and UN Secretary General Kofi Annan), which had sent a team of mediators to Israel and Palestine to discuss Israel's planned withdrawal from the Gaza Strip. "We don't want to work with the Europeans on security issues. We work with the Americans on these issues," Sharon spokesman Asaf Shariv arrogantly declared.

The Quartet mediators met with Palestinian Prime Minister Ahmed Qureia in Ramallah on July 7, after which Qureia met separately with David Satterfield, the U.S. representative at the talks. Qureia remarked that "if it is true that Israeli officials would not meet with the Quartet, it means that Israel is turning its back to the entire world."

U.S. sources say that the Sharon snubbing of the Quartet has widened a rift between the Israeli leader and U.S. President George W. Bush. At the recent G-8 summit meeting in Georgia, Bush had agreed to the Quartet visit, and the Sharon rebuff is a further blow to the U.S. President's international credibility, at a point when the U.S. is attempting to win international support for the continuing Iraq occupation.

Early Elections or Unity Government in Israel?

Israeli Prime Minister Ariel Sharon will be holding formal discussions with Israeli Labor Party chairman Shimon Peres to discuss the possibility of forming a unity government, according to *Ha'aretz* July 9. This is the first time that such talks have been held on a formal basis since Sharon won the elections last year. Sharon currently is heading a coalition with 59 mandates, short of a 61-mandate majority. Only last week, it faced a vote of confidence, where the vote was tied at 56-56. It requires a majority of 61 mandates to overthrow a government.

The only problem is that a unity government would have a lifespan of only 18 months, because general elections will be

held in 2006. Although it appears that Peres is enthusiastic about entering such a government, others are not, especially if Sharon stalls on implementing his so-called disengagement plan. In fact, one observer told *EIR* that this could in fact be Sharon's intention, because it would just discredit the Labor Party even further, to the advantage of the Likud.

On the other hand, elections could be held even sooner than expected, with many of the major players positioning themselves for just such an eventuality. One development that points in this direction, is a scandal that has hit the Shinui Party, one of Sharon's coalition partners. Its number-two leader, Infrastructure Minister Yosef Paritzsky, has been accused of an attempt to criminally entrap the number-three leader in the party. It was then revealed that one of his assistants was arrested attempting to purchase illegal drugs for him. The whole murky affair discredits the party, since it is supposed to be an "anti-corruption" party. If elections are held, this party, which is now the third-largest, could lose quite a few seats, which would change the political landscape.

Gilad in Secret Talks in Cairo

The Israeli paper *Ma'ariv* reported on July 5 that Gen. Amos Gilad, who heads the Israeli Defense Ministry's Diplomatic-Political Branch, was in Egypt meeting with intelligence chief Omar Suleiman, in what were described as "secretive" talks on various aspects of Ariel Sharon's so-called disengagement plan. Gilad is one of the top hardliners in the Israeli military.

Iraqi Interim PM Offers Amnesty to Resistance Fighters

Iraq's interim Prime Minister Iyad Allawi may offer an amnesty to resistance fighters, Associated Press reported July 4. One of his spokesmen made a statement indicating that Allawi is trying to profile himself as against the occupation, and representing Iraq's national interests. "If he [a guerrilla] was in opposition against the Americans, that will be justified because it was an occupation force," the spokesman, Georges Sada, said July 3. "We will give them freedom."

Sada said that Allawi would announce several measures related to security, including the restoration of the death penalty and a declaration of martial law.

Regarding a possible amnesty, Sada said a full pardon for insurgents who killed Americans is not a certainty. Allawi's main goal, he said, is to "start everything from new" by giving resistance forces the option of handing over their weapons and supporting the new government.

"There is still heavy discussion about this," said Sada, interviewed in the Prime Minister's office.

The idea is being discussed also with the U.S. embassy, which suggested "creative" ideas for ending the armed resistance. Most analysts believe Allawi must try to absorb some of the resistance. Clearly, there is no military solution, from the government's standpoint. "It's hard to imagine any way forward other than coopting people who had previously fought against the United States, either as part of Saddam's army, part of the insurgency, or both," said Jon Alterman, a Middle East expert at the Center for Strategic and International Studies in Washington. "Allawi needs to split the opposition into two groups: those he can coopt and those he must confront."

Whether or not resistance fighters would accept the amnesty offer, is a big question. One former army officer who described himself as a "helper to the resistance" in Fallujah said Allawi's plan would have little traction, because his government is seen as illegitimate. "I do not want to return to the new Iraqi army and be put in a situation where I have to open fire on my countrymen in order to defend the Americans," said Mohammed al-Janabi, a former colonel in the disbanded Iraqi army. He went on: "The goal of this offer is to divide the resistance. They want to isolate the honest patriots from the Islamic Mujahideen—in other words, divide and rule—and this is not going to happen," al-Janabi said.

"As for Allawi and [President Ghazi] al-Yawer, they are taking orders from the new American ambassador after the departure of their former master, Bremer. They are helping the Americans steal our oil, and they will be punished."

Meanwhile, a delegation representing the radical Shi'ite cleric Moqtada al-Sadr told the interim government that he was willing to disarm his militia, Allawi said on U.S. television. Sadr "is looking for an amnesty. He is looking to be part of the political process. He is willing ... to dismantle the Jaysh al-Mahdi army ... or the militias that he has formed," Allawi told ABC News in an interview to be broadcast July 11.

Iraqi Interim PM Gets Okay for Emergency Rule

The Iraqi Interim Prime Minister's decree on emergency rule was passed July 7 by the interim Iraqi government. The decree gives Ayad Allawi the ability to declare martial law, with such provisions as imposing a curfew, tapping phones, seizing assets, restricting civil associations, and assuming direct command of the security forces in areas deemed to be emergency zones. In these zones, the police and military can search and detain people without judicial approval.

The Iraqi Human Rights Minister, Bakhtyar Amin, insisted that the decree was approved by Allawi's 32-member Cabinet. He compared it to the U.S. Patriot Act.

A *New York Times* editorial July 8, entitled "Shades of the Old Iraq," notes that it is less than two weeks since Allawi took the office, yet his government method already carries a whiff of the old-style Arab authoritarianism. Dr. Allawi heads an unelected, caretaker government whose main responsibility is guiding Iraq toward free elections in January. Preparing to impose martial law is not an encouraging way to start.

Children Were Targets of Torture

Torture methods have not only been applied to adults, but also to children, according to dossiers compiled by the International Committee of the Red Cross. The Red Cross states that more than 100 children have been in Iraqi prisons, including in Abu Ghraib, according to reports by the Swiss daily *Neue Zuercher Zeitung*. According to the official speaker from the Red Cross in Geneva, who was interviewed by German TV ARD, 107 children were registered during 19 visits which the Red Cross made to different prisons. Various testimony speaks about children and youth having been mistreated by soldiers in prison. UNICEF (the children's aid organization of the UN) confirmed in a report published in June 2004 that "children who have been arrested in Basra and Kerbala for activities which were supposedly directed against the occupying powers, were, in routine fashion, transferred to the internment facilities in Umm Qasr. The internment of these children is worrisome given that they are interned without having contact with their families."

Asia News Digest

Japan Moves To Normalize Diplomatic Ties with North Korea

Japan is ready to resume talks on normalizing ties with North Korea, Deputy Chief Cabinet Secretary Seiken Sugiura said on July 6, as a dramatic reunion between Japanese abductee Hitomi Soga and her family was to take place in Indonesia on July 9. Talks have been bogged down since U.S. Vice President Dick Cheney made accusations about North Korea's alleged secret uranium bomb in October 2002. Tokyo's *Asahi Shimbun* said on July 6 that the reunion will shift Japanese public opinion away from the fury against North Korea and toward diplomatic normalization.

Japanese Prime Minister Koizumi met Soga on her departure and also announced that North Korea has agreed to reopen investigations into the fate of 10 other missing Japanese never accounted for. North Korea "has promised to thoroughly

reinvestigate the case of the 10 people," Sugiura said.

Koizumi Under Fire for Pandering to Bush on Iraq

"Prime Minister Koizumi's accusation that some Japanese media are 'anti-American' has shed light on another issue for voters to ponder when they cast their ballots on Sunday," Tokyo's leading daily *Asahi News* editorialized on July 6. "If the Prime Minister overreaches in his efforts to pander to the Bush Administration, he will create an America-phobic atmosphere among the Japanese public."

It seems Koizumi turned Japan's troops in Iraq over to Bush's new multinational force during a tête-à-tête with Bush at the G-8 summit in Georgia on June 10—before discussing the subject with anyone in Japan. When the mainstream *Asahi News* and *Mainichi Shimbun* criticized Koizumi, he called them "anti-American."

"With less than a week before the Upper House elections, Koizumi faces his greatest test since he assumed office three years ago. Perhaps that explains his irritation," *Asahi* says. "Calling these newspapers 'anti-American' is not something we can take lying down. Joining the multinational force represents a major change that has important bearings on Japan's Constitution and this country's basic foreign policy. Changes of this magnitude simply cannot be made without Diet discussions."

Jacoby Report on Afghan Prisoner Abuse Complete

U.S. Brig. Gen. Charles Jacoby has handed over his report on prisoner abuse in jails at U.S. bases to the U.S. commander in Afghanistan, Lt. Gen. David Barno, for review. Jacoby is deputy operational commander under Barno. "As soon as we're complete with staffing, we'll be able to release portions of that report," said spokesman Major Jon Siepman.

Although the contents of Jacoby's report have not been made public, it is evident that he has addressed the widespread allegations of prisoner abuse by Americans in Afghanistan. Meanwhile, Duncan Campbell and Suzanne Goldenberg of the *Guardian Unlimited* are circulating an in-depth investigation, including interviews with the Afghan prisoners at the Bagram Air Base near Kabul. That investigation has uncovered widespread evidence of detainees facing beatings, sexual humiliation, and being kept for long periods in painful positions. Detainees who were not charged with any offense told *The Guardian* of American soldiers throwing stones at them as they defecated and of being stripped naked in front of large numbers of interrogators.

Badawi Blasts Iraq War Ahead of Visit to Washington

In a speech to diplomats on July 5, Malaysian Prime Minister Abdullah Ahmad Badawi criticized the United States, just two weeks before his first state visit to Washington, where he is scheduled to meet with President George W. Bush on July 19. In the speech, he said that the invasion of Iraq "shattered the confidence" of the world by showing that no country's sovereignty is safe from the most powerful nation.

He also said that military force had proved inadequate in destroying terrorist networks, and instead may be fuelling their growth. "There is uneasiness worldwide that a single country is globally dominating all their military, economic, political, and cultural dimensions of power," he said without naming any country.

U.S. Ambassador to Philippines in Proconsul Role

President Bush's ambassador to the Philippines elicited an angry response from Filipino President Gloria Arroyo-

Macapagal's spokesman after Ambassador Francis Ricciardone insinuated that the Philippines government itself could unwittingly be assisting international terrorism by not cleaning out "terrorist camps." Ricciardone is pandering to the allegations against Manila that there exist terrorist camps run by Islamic militants tied to Jemmah Islamiyah.

Ricciardone said on July 6 that foreign militants had been able to set up shop in Mindanao because of the weak rule of law. Mindanao has been the scene of a more than 30-year battle between Manila and separatist movements of the indigenous Moro Muslim ethnic group.

The ambassador also criticized the government's failure to reach a peace accord with the Moro Islamic Liberation Front, and used the occasion to announce a U.S. plan to redirect some of its \$30-million development assistance to other projects in Mindanao.

Growing Productivity Gap Between Chinese Coast and Interior

A report by the Development Research Center of the State Council, a leading Chinese policy institute, says that there is no perspective on how to reverse the widening productivity gap between the Chinese east coast, and the interior.

In the early 1980s, the DRC had warned of the "collapse" of central China. This has not happened, but per capita GDP has gotten lower and lower there. In 1980, per capita GDP in central China was 88% of the national average. It fell to 83% in 1990, and was down to 75% by 2003, and now suffers an actual capital outflow.

Central China, according to the DRC report, has not capitalized on the foreign investment/processing trade investment which has brought the coastal regions into the "global production system." But, while there was a net capital inflow of more than 200 billion yuan to the eastern coastal areas in the 1990s, there was a net capital outflow from central China undermining its basic productive capabilities. Also, central China lacks the intensive urbanization of the east coast, and has "no strong economic center" to launch it.

North Korean Leader Wishes To Visit the South

North Korean leader Kim Jong-il has told Chinese leaders he wished to visit the South "at an appropriate time," Yonhap news agency quoted an aide to former South Korean President Kim Dae-jung as saying on July 3.

After a four-day trip by Kim Dae-jung to China, "It is something we learned from a high-level official in the Chinese government who met with Chairman Kim Jong-il during his China visit in April," Yonhap quoted the aide, Kim Han-jung, as saying. Kim Dae-jung on June 13 called strongly for the Northern Kim to visit Seoul, as outlined in the North-South 2000 declaration. This call was also echoed by the South's ruling Uri Party in late June, which urged Kim Jong-il to visit the South, as pledged four years ago.

But South Korean President Roh Hoo-hyun, under pressure from the neo-conservatives, has said the "appropriate time" would be only after an international standoff over Pyongyang's nuclear program begins to be resolved.

Karzai Under Intense Pressure To Hold Elections

The Bush Administration is exerting intense pressure on Kabul to hold Presidential and parliamentary elections next October, at the latest, to help President Bush in his quest re-election campaign. Despite the adverse conditions that prevail in Afghanistan, and the slow rate of voter registration, interim President Hamid Karzai met with United Nations officials on July 6 to schedule the country's first-ever general elections since the Second World War. As of July 9, President Karzai was

unable to come up with a date.

Meanwhile, talks abound that Karzai would take the risk of holding the Presidential elections before Oct. 22, the beginning of the Muslim holy month of Ramadan, but not the parliamentary elections. To organize the parliamentary elections is far more complicated, since it involves large numbers of candidates. It seems the parliamentary elections can only be held in the summer of 2005 at the earliest.

It is, however, still very much a matter of speculation that any Afghan elections can be held before November. Karzai has sought UN help, in the face of burgeoning security problems in the country. The continued existence of private militias belonging to opium warlords is a particular concern for the parliamentary polls. At the same time, some politicians and diplomats have expressed concern that powerful warlords may in fact want an early vote to consolidate their positions.

North Korea's Kim Jong-il Receives 'Personal Letter' from Putin

Russian President Putin had a "personal letter" delivered to North Korean leader Kim Jong-il during a rare meeting that the North Korean leader held with the Russian Foreign Minister Seregei Lavrov. Lavrov said "special attention was devoted to the peace settlement on the Korean Peninsula," according to a statement from the Kremlin. The letter to Kim, according to Russia's ITAR-Tass news agency, touched "on problems of bilateral cooperation and regional security."

Africa News Digest

Sudan: State Dept. and *Wall Street Journal* Differ Only Tactically

The *Wall Street Journal*, in its lead editorial July 2, argues that the Sudan crisis shows the need for a U.S. imperial policy in a "Hobbesian" world, and calls for "regime change" in Sudan, rather than Secretary of State Colin Powell's recent diplomatic visit. "The lesson of Sudan," it says, "is that the world is a Hobbesian place outside the U.S. sphere of influence. It is fashionable these days to express distaste for American 'unilateralism' and 'hegemony.' The unfolding catastrophe in Darfur offers a chilling view of what the alternative really looks like."

EIR notes that the State Department's diplomacy is vectored toward the breakup of Sudan, and differs from the *Wall Street Journal* editorial only tactically.

South Africa, China 'Elevate Partnership to a New High'

South Africa and China signed seven agreements after a binational commission meeting in Pretoria, Deputy President Jacob Zuma said June 29 at a joint press conference in South Africa's capital.

In responding to reporters' suggestions that China should replace the West as Africa's main benefactor, Chinese Vice President Zeng Qinghong replied that China would do what it could to support and assist African countries. "But I don't think China could fill this gap. It's up to those who dug the gap to fill it," he said referring to the plunder of Africa's resources by colonial powers.

The Chinese VP was in South Africa June 26-29. In meetings with President Thabo Mbeki, "They agreed to work together to elevate their strategic partnership to a new high. Mbeki expressed appreciation for China's increasing involvement in Africa's own initiatives to promote peace and regional integration in the African continent," according to their joint communiqué.

China welcomed the Southern African Customs Union decision to commence free-trade negotiations with China. South Africa is known to be seeking an asymmetrical agreement to protect its economy from a flood of low-priced Chinese goods.

China confirmed the establishment of the Centre for Chinese Studies at the University of Stellenbosch (Western Cape Province) at an early date.

Ian Watson, chief executive of Transvaal Ferro-Chrome Ltd. (now International Ferro Metals), said Chinese companies had purchased 25% equity in International Ferro Metals. He said that China—a huge market for metals produced in South Africa—was starting to invest considerable sums in the local market.

The government-owned South African Coal, Oil and Gas Corporation (Sasol) has also embarked on a feasibility study for two US\$3 billion projects in China with a consortium of six Chinese companies. The projects involve extracting oil from coal, using Sasol technology. "China has plenty of coal but imports 100 million tons of crude oil a year and is looking at South African investment and expertise to reduce this amount," said China's ambassador to South Africa, Liu Gui Jin, had said earlier.

Nigeria's Creditors Demand Labor Be Crushed

Nigeria's Senate President Adolphus Wabara said June 24 that if "reforming labor" is one of the ways the country could obtain some debt cancellation from its creditors, Nigerians should embrace the move, according to the *Daily Champion* (Lagos) June 25. Wabara was referring to a bill sent to the National Assembly by President Olusegun Obasanjo that eliminates many of the powers of the Nigeria Labor Congress under the pretense of "decentralizing" the labor movement. "We will leave the National Assembly to decide. We are talking of debt cancellation and this goes with a lot of reforms. If labor reforms is one of the areas that must be sacrificed such that we can enjoy some debt cancellation, then I think Nigerians should be able to sacrifice that."

Asked why Nigeria's oil refineries have yet to commence operations, despite the huge amount of money the government claims to have expended on them since 1999, Wabara said the solution to the problems of the nation's oil sector is privatization.

Danger of Renewed War Between Ethiopia and Eritrea

UN Secretary General Kofi Annan arrived in Eritrea July 3 amid fears that war between Eritrea and Ethiopia could resume in the short term, according to the *Financial Times* and Israeli intelligence sources July 3. The mandate and financing of the \$200-million, 4,500-man peacekeeping force that has kept peace between the two countries, following the end of their border war (which began in 1998), is coming up for review. But there has been no progress in implementing the UN-brokered agreement ending the border war, one of the bloodiest ever. The two sides were to demarcate the border, but there have not even been talks between the two countries. Furthermore, Ethiopia continues to refuse to accept the status of the city of Badme, which it occupies and was supposed to hand over to Eritrea.

It is reported that both sides have been buying military equipment. Ethiopia has an army of 150,000 men, and Eritrea has an army of 320,000, despite the fact that its population numbers only 3.5 million.

Israeli intelligence sources point to the growing war danger in the entire region. They point out that on June 21, Eritrea announced it was opening an embassy in Israel, which had been one of the first countries to recognize Eritrea after it achieved independence from Ethiopia in 1993. Israel was also one of its arms suppliers, and reportedly maintains bases

there for Mossad operations in the region. A new Eritrea-Ethiopia war would obviously affect both Sudan and Egypt, since Ethiopia is the source of the Blue Nile, which accounts for 85% of Egypt's water supply. Ethiopia also lies at the mouth of the Red Sea, which is of strategic importance for Egypt.

This Week in History

July 12-18, 1787

The Northwest Ordinance

Congress passes the Northwest Ordinance, and endorses a development policy for the new nation.

On July 13, 1787, while the Constitutional Convention was meeting in Philadelphia, the Continental Congress, in session in New York, passed a momentous piece of legislation entitled, "An Ordinance for the Government of the Territory of the United States North-West of the River Ohio." By that document, the territory of the present Midwest was added to the original 13 states, under a republican form of government which was dedicated to the agricultural and industrial development of the nation.

By the Treaty of Paris in 1783, which formally ended the American Revolution, the Northwest Territory was admitted to belong to America. The Kentuckians, led by Daniel Boone, had first secured its southern flank after the French & Indian War, and then George Rogers Clark and his men had captured the former French towns in the Illinois Country. But the British, even after the Treaty, refused to evacuate their major northern posts at Niagara, Oswego, and Detroit, as well as several other more minor forts. Instead, they aimed their Indian allies at the American frontiers, still hoping to limit the new republic to the Atlantic seaboard.

Even during the uncertain days of the American Revolution, the idea of creating a Federal territory which would help to unite the nation was being voiced. Over the years 1781-1786, the four states which claimed land to the west—New York, Virginia, Massachusetts, and Connecticut—ceded their claims to the Confederation Government. At the same time, while the Continental Army was encamped at Newburgh, New York, General Washington and his officers developed a plan for the settlement of the Ohio Country. George Washington had traversed it extensively before and during the French & Indian War, and had travelled as far as the Falls of the Ohio (between Indiana and present-day Louisville, Kentucky), after peace was declared. When military affairs seemed hopeless during the early days of the Revolution, and soldiers would ask him what the alternative to surrender would be, Washington answered that the Continental Army could cross the mountains and set up a base in the Ohio Valley.

So when Congress, because of its limited powers under the Confederation, was unable to raise enough funds to pay the Army during the difficult encampment at Newburgh, many of the soldiers agreed that they would accept western land instead, and emigrate there together to set up a new state. In June 1783, two hundred and twenty-eight officers of the Continental Line signed a memorial to the Continental Congress indicating their willingness to settle the Ohio Country. George Washington seconded their memorial, and as soon as the Treaty of Paris took effect he embarked on a project to develop the transportation infrastructure which would link the Northwest Territory with the settled eastern states. His efforts included the Potomac Canal, plans for a canal to link the Ohio River with Lake Erie, and the sponsorship of James Rumsey's steamboat experiments.

In 1784, Thomas Jefferson presented an ordinance for governing the new territory. It provided for its erection into states and their entrance into the Confederacy on equal terms with the rest, but a provision prohibiting slavery there after 1800

was defeated. In 1785, an act was passed by Congress which laid out how the western lands would be divided and sold after they were purchased from the Indians. Included was the famous provision that Lot 16 of each township would be used to finance the erection and maintenance of public schools.

In parallel with these government efforts, the veterans of the Continental Army published notices inviting all those interested in settling the Northwest Territory to meet in Boston. On March 3, 1786, at the Bunch of Grapes Tavern of Revolutionary War fame, the officers founded the Ohio Company of Associates, naming Gen. Rufus Putnam as chairman and Major Winthrop Sargent as secretary. The group proposed to use both the veterans' certificates from the Confederation government and a fund of \$1 million, raised from subscriptions, to buy a large tract of land in southeastern Ohio and to settle it with Revolutionary War veterans and their families.

Also named as the negotiator with the Continental Congress was Rev. Manasseh Cutler, who travelled to Philadelphia when Congress was considering the Northwest Ordinance. He worked closely with the delegates, especially Nathan Dane, who drafted the Ordinance, and then obtained, on July 23, a committee report which recommended that the Board of Treasury be authorized to make a contract for the large tract which the Ohio Company had asked to buy. The Ordinance thus reflected much of the Continental Army veterans' outlook on how the new territory should be settled and the republican rights that its citizens should enjoy.

No land was to be sold until it had been purchased from the Indians, surveyed, and marked off in sections, townships, and lots. The land would be sold in small plots that settlers could afford, not large pieces that were obtained just for speculation. The land owned by the national government would benefit all the states by providing one of the bases of public credit. Settlement was to proceed from the Ohio River shores nearest to the old settlements in Pennsylvania and Virginia, and then proceed northward to Lake Erie and westward to the Miami River. The governor, Gen. Arthur St. Clair, and territorial judges were appointed by the national government. When the number of adult males reached 5,000, the territory could hold elections and send a member to Congress, who could take part in the debates, but not vote. When the population reached 60,000, the territory could be admitted as a state, with all the rights of the original 13 states.

Reflecting the republican ideals for which the Continental soldiers had fought, the settlers were granted freedom of religion, the right to habeas corpus, bail, and trial by jury, and the right to proportional representation of the people in the legislature. All fines had to be moderate, and there would be no cruel or unusual punishments. Rejecting the oligarchical practice of primogeniture, it was specifically stated that if a person died intestate, their property would be divided, after a one-third portion for the wife, equally among all their children, making no distinction "between kindred of the whole or half blood."

"Religion and morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged." This statement reaffirmed the use of Lot 16 in each township for funding public education. In the case of the Ohio Company of Associates, their charter also included a lot in each township set aside for the support of churches, and up to two whole townships to support the building of a university, which was founded as Ohio University in 1804. The day before the Ordinance was passed, a clause was added which stated that "There shall be neither slavery nor involuntary servitude in the said territory, otherwise than in punishment of crimes whereof the party shall have been duly convicted...."

Finally, the Ordinance reflected the republican commitment to treat the Indians as human beings, not as they had been manipulated and looted by the colonial powers. "The utmost good faith shall always be observed toward the Indians; their lands and property shall never be taken from them without their consent; and, in their property, rights, and liberty, they never shall be invaded or disturbed, unless in just or lawful wars authorized by Congress; but laws founded in justice and humanity shall from time to time be made, for preventing wrongs being done to them, and for preserving peace and friendship with them."

Three months after the Northwest Ordinance was passed, Thomas Hutchins, the Geographer of the United States, published a report on the prospects of the new territory. He catalogued the river and lake transportation, the climate, fertility of the soil, plants and animals, and the mineral deposits which were "so well calculated for the establishment of manufactures of various kinds." Reflecting James Rumsey's experiments that year, Hutchins stated that, "...it is worthy of observation that, in all probability, steamboats will be found to do infinite service in all our extensive river navigation."

During the following two years, 20,000 settlers travelled down the Ohio River in boats to settle the new territory. The Ohio Company veterans built the town of Marietta, and the Symmes Grant in western Ohio was settled by pioneers, three-fourths of whom were Continental Army veterans. Despite repeated attacks by British-incited Indians, the settlements held on until 1796, when Gen. Anthony Wayne's victories finally forced the British to grudgingly withdraw from their American posts, 13 years after the end of the American Revolution. The rapid influx of settlers once peace came to Ohio enabled it to be admitted as a state in 1803, followed by its sister states of Indiana, Illinois, Michigan, and Wisconsin, all following the terms of the farsighted Northwest Ordinance.

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