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This Week You Need To Know

LYNDON LAROUCHE KEYNOTES EUROPEAN — ICLC/SCHILLER INSTITUTE CONFERENCE

Below appear Lyndon LaRouche's keynote remarks to the European ICLC/Schiller Institute conference on Sept. 24, 2004. The panel was moderated by Muriel Mirak-Weissbach, who introduced LaRouche by saying, "And now, I'd like ask Lyn to address us, to tell us how the Kerry Presidency must shape world politics, and how Lyn is shaping Kerry's candidacy."

LYNDON LAROUCHE: I shall repeat today, inclusively, a few of the things I said at the seminar yesterday. So, those who heard it yesterday, will mark forbearance. It is important to repeat:

You are now living in a time whose importance exceeds any in the memory of any living person on this planet. What will happen between now and the date of the inauguration of the next President of the United States, will be the greatest turning point in history, for better, or for very much worse, in a very long time.

The situation is not hopeless. But: On what I know, as of today from the United States, from the inside of the Kerry campaign, for example, one never says that one has won a war, until the war has actually been won. But I feel like Friedrich der Grosse at Leuthen, facing the Austrians where he thought he was outnumbered. And because he thought quicker and better, the outcome was successful on that day.

We're in such a situation.

The report that Bush is ahead, is utter propaganda and nonsense. No one, at this stage of a campaign, of a hotly contested campaign, *knows who is ahead*. No one knows, in such an election situation.

So anyone who is saying the question of the contest is settled, is a fool; perhaps an idiot. Because in elections, predictions such as that can not be made, particularly under these kinds of circumstances. The decision has not been made. And today, in the course of today's presentation, I'll indicate what some of the factors are, which will decide how this election goes, and what the outcome will be.

Later you will hear from Dennis Small, who is here; in another presentation, he will present some animations and other materials, which are quite relevant to what I will say now on this occasion today. You will also hear—I presume, knowing Jonathan Tennenbaum fairly well, and knowing what he has chosen as his subject—that I have left to him certain things, on Riemannian economics, which, I'm sure, he will do very well. And I understand that is going to be a wrap-up of some of the discussion at this conference.

So, it's all going to be a piece, throughout the conference, which in the end, will all come together, all the parts will

converge, on a single result, a single objective.

All right. Now, what's the situation?

We have been presented in a book, by a certain U.S. psychiatrist, who, based on evidence in the public domain, has indicated the mental problems of President George W. Bush. George W. Bush being an idiot, in a sense, that is, incapable [audio break] ... he's a puppet primarily of Dick Cheney, but also of others.

Cheney is an evil man. As a matter of fact, Cheney has made an agreement with the *Washington Post*, to have an attack published on me a week from Sunday. I don't know if it'll still be published, but Cheney's behind it. It is the same Cheney, who is the key man behind the deployment of terrorist forces against Russia, through Chechnya.

But Cheney is not merely a puppet-master of the President of the United States. He is also a puppet of the British monarchy: specifically, the Blair government, including Liz Symons. He is also a puppet of his own wife, who is the smarter member of the family, who has the higher-ranking connections to the British monarchy and to the Blair government.

The targetting of Russia—which is a very serious question because you're talking of the targetting of a thermonuclear power, which is being driven, despite its weakness, to a state of rage. And the Russian government knows, already, that it was these forces from the United States and Britain, who are directing what is called terrorism, against the Caucasian region adjoining Russia.

So, this will not go on too long. And the President of Russia will not too long *pretend* to cooperate with the President of the United States, under these conditions.

We are already in a condition, on two points, which amounts to the threat of a dark age throughout this planet coming on fast, during the interval now and the inauguration of the next President. First of all, we have a general economic breakdown of the world as a whole, concentrated in Europe and the Americas. Other countries have not fallen as badly, such as India or China, in the recent period. But the world as a whole is collapsing. And if Europe and the United States collapse economically, the whole world will collapse, in a chain-reaction fashion; not because of the conditions as such within their countries, but because of the impact of the collapse of Europe and the United States.

Europe today is bankrupt. That is, there is no possibility, under current trends in Europe, that European economies could continue to operate, because the cost of maintaining the society throughout Europe today, is greater than the income generated by production and other means in those societies. And the rate at which that discrepancy is going to increase, under present trends.

Now, if Europe and the United States go into chaos, you can be sure the chain-reaction effects will be, the world will go into chaos. Because at the same time, we have an international monetary-financial system, which is in its death-agonies. The IMF, in its present form, the financial systems attached to the International Monetary Fund, are in a process of collapse. Whether the collapse will come tomorrow morning, Monday, or sometime in January, is uncertain: *But every leading banking circle in the world is now preparing for a general collapse of the entire monetary-financial system.* They're simply lying about it, except among themselves, because they don't want it public until they're ready to deal with it.

So we're dealing with a world system, which is about to collapse. And it is precisely for that reason, as in two world wars of the last century—for systemic reasons of that type—that great wars, or similar kinds of conflagrations, coincide with

great financial and economic crises, and social crises.

Because — Look at the European situation. What is European civilization? We'll get *hard* into this, and some Europeans will be offended by what I say, but it's true. It has to be said. Europe went through a long struggle to solve the greatest problem of humanity, up to the present time, of all known humanity. Through all known history, up to the present, the characteristic of government (or what passes for government) has been that a small portion of the total population treats the rest of the population as either *herded or hunted human cattle*. And this section of the population rules, not only by domination, by physical means, and playing one force against another, but by *keeping people stupid*. The way to make people accept the condition of being human cattle, is to stupefy them to the level of being human cattle.

And this is done by education, or *mis*-educational systems, or like the propaganda systems and cultural characteristics, which have taken over Europe and the United States since about 1964, especially under the influence of the Congress for Cultural Freedom, which was a real fascist organization, whose intention was to destroy the cognitive ability of the population to think for itself. And instead gave them sex, and similar kinds of degraded mass entertainment, to occupy themselves and one another's sexual organs with, as a substitute for actual thinking or knowing.

So we have a stupefied population. The level, the quality of education in universities and other schools, in Europe and the United States, is *far worse* than it was 40 years ago. The people of the United States are *stupid*, relative to the population of 40 years ago.

This has been done deliberately. We have been transformed, in the case of Europe, from the part of the world which created the wonders of modern civilization, of modern scientific and technological progress, and the increase of freedom in a way which corresponded to an improvement in the general standard of living.

About 40 years ago, in the aftermath of the assassination of Kennedy, the aftermath of the missile crisis, and the launching of the U.S.-Indo-China War, the world underwent what has been called a "cultural paradigm shift." The United States, in particular, which had been the most successful in dealing with the Depression—that is, the United States, under Roosevelt, had emerged from a Great Depression, and had become the most powerful economic nation, and in other respects, on the planet. The existence of the United States, under Roosevelt's influence, saved the world from what took over Europe! Fascism.

It took over Europe, under fascism from 1922-1945, by a group of bankers, who were called Synarchists: a bankers' syndicate that controlled the so-called independent central banking systems of the European nations. As in the case of Germany: The only chance of saving Germany from Hitler, lay in overturning the power of the Bank of England's control over German banking institutions. Because, without those measures, the German people could not save themselves from what was coming down from the outside as Hitler.

The same was true of all Europe, all continental Europe, outside of Russia, outside the Soviet Union. They all collapsed into fascism. They collapsed into fascism, because they were *unprepared*, to take the challenge of eliminating the existence of a parasite, which comes in the disguise of so-called independent central banking systems. And which makes man, and nations, the slave of money! Which these banking systems and financial interests control.

The power of the United States, its advantage strategically, is that under our Constitution, no banking system under our Constitution, can control the people. In a case of a general bankruptcy, the function of the government of the United States, is *to put the bankers into bankruptcy reorganization, by the government*, and to *protect* the people against the rapacity of the greedy bankers. That's what Roosevelt did: He put the banking system into bankruptcy reorganization. He launched programs of expansion in a nation which had collapsed by *one-half*, in terms of average income, over the four years under Herbert Hoover; and made us the most powerful nation in the world.

It was our role, which, coupled with the resistance of the Soviet Union—which was made possible by the support of the United States; and with the fact that the British joined us, who were also quite fascistic in their inclinations, but they didn't believe in surrendering their power over a world empire to a continental German tyrant. The only reason that Churchill opposed Hitler, was that Hitler was not British. And therefore, the British reluctantly joined the United States in fighting Hitler. And but for the margin of leadership of Franklin Roosevelt, this world would have gone to Hell.

We're now facing a repetition of that same kind of fight, in a worse condition now than then.

Because then, at that time, our population *still believed in production*. We still believed in agriculture; we still believed in industry; we still believed in basic economic infrastructure.

Now we don't. We've changed. We now believe in globalization. "Shut up! Don't work any more. Get the slaves in the Third World to work for you, with cheap labor! They'll supply your goods. Shut down your stores! Open up Wal-Marts, where you buy the produce of cheap labor! Disemploy your people! Save money, by cutting your infrastructure. Cut your health care! Cut your social security systems! Cut your education! Accelerate the death rate among the sick. Do all these things *to balance your budget*, for the benefit of the bankers who own you!"

And the connection is simply this: The system we've lived under in Europe, as opposed to the United States, which is called "capitalism." It's not—you know, Marxism was actually a branch of capitalism. I'll refer to what that is about—as people in Saxony probably understand that. Hmm?

We came out of the medieval life, which was the so-called ultramontane system, a system under which Venetian bankers for over 500 years had controlled Europe, through their alliance with Norman chivalry. And they had a system of debts and debt collection, where they parasitized Europe, destroyed all attempts to form sovereign governments of nations, and they globalized Europe. Globalization is nothing different, than what the Venetians did, with a murderous Norman chivalry, who were the predecessors of the Nazi SS, throughout all of Europe.

When the great Venetian system collapsed, in the 14th-Century new dark age, where a third of the population of Europe was wiped out—half the cities, the parishes of Europe, disappeared, as the result of a crisis comparable in some characteristics, to what faces us and threatens us today. In other words, if you continue to support the IMF; if you continue to support austerity measures; if you continue to kill people by depriving them of health care; if you continue to make them ignorant, by depriving them of education; if you destroy their communities: *We are going into a dark age*. Because we are not producing enough, currently. We're not maintaining the production of infrastructure, production of manufactured goods, of production of foodstuffs, instruments of health care and protection against epidemics—we are not maintaining those systems! If we take those systems away, *we begin to die*. And the death rate accelerates. That's what happens in dark ages in the past, as in the 14th Century in Europe.

The fortunate part of the 14th Century, was that the legacy of people such as great Classical scholars, Dante Alighieri, Petrarca, and so forth, and the Christian tradition of the Augustinians, for example, intervened into the crisis, to create a Renaissance. This Renaissance replaced Latin as the ruling force in European thought—Latin, which had become the instrument of slavery of the European populations—to return to Classical Greek culture, as a thing to study for creating a society based on a modern nation-state. This unleashed, in Europe, in the 15th Century, a great revolution, out of which the first modern nation-states—that of France, under Louis XI and that of England, later, under Henry VII—emerged.

The Venetians then struck back. They tried to destroy this institution. And between 1511 and 1648, the Venetians launched *religious war*, they organized and conducted religious war, and related kinds of warfare, throughout Europe, until 1648, with the Treaty of Westphalia. The intention was then, as typified by the role of Colbert, the heir of Cardinal Mazarin, to

develop a modern nation-state, based on the principles of scientific progress and *revitalization* of what had been accomplished by the Renaissance.

But then, you had an idiot, Louis XIV, who was sucked into wars set by Venetians plotters. And these wars destroyed to a great degree, what France had tended to become, as the organizer of a revival of civilization in Europe. That revival was typified by not only Colbert himself, but by his protégés! Which included, in one sense, Gottfried Leibniz, and others. Or the heirs of this movement, which went into Saxony and effected a revival from the Thirty Years' War, in the work of Bach and others. Look at what happened out of Saxony, out of Leipzig. The city of the revival of German culture! Which Bach merely typifies, and which Leibniz typifies.

But this was frustrated again. It was frustrated because the Anglo-Dutch Liberal system, had risen to supersede and replace, and to continue, the Venetian system: England emerged as the dominant force, in contest of rivalry between the Dutch and the British.

And then there was the so-called Seven Years' War. And through the Seven Years' War, in which the British financed and played one part of continental Europe against the other; and they paid Frederick the Great, Friedrich der Grosse, in order to keep the war going. And then at a certain point, when they had achieved their objective, they stopped financing Friedrich der Grosse.

Out of that mess, in 1763, in the Treaty of Paris of February 1763, came the establishment of the British Empire. It was not an empire of the British monarchy. *It was an empire of the British East India Company.* The other name for the British East India Company, during that period, throughout the 18th Century, was "the Venetian Party." It was a creation of Venice.

So a great crisis existed for Europe, for those who cared: How could Europe, having destroyed the great opportunities it had, the opportunity of the Renaissance, the opportunity of the Treaty of Westphalia, the opportunity nourished by the leadership of Colbert, typified by the work of Leibniz, echoed by the influence of Bach — How could this Europe, again, seek to build what it had intended to build? To build a society which is based on what was the essential Christian principle, that man, all persons, are made in the image of the Creator of the universe, and have those creative powers which distinguish man from beast. And therefore we can not treat people as human cattle! We must not subject them to the status of human cattle. We must not *hunt them down*, as the Romans hunted down people they didn't like, for sport, as human cattle.

We can not treat them as human cattle, as those who are running the war against Islam, intend to do. To treat Islam as a target of human cattle to be slaughtered! And thus, to generate a religious war, which would destroy civilization around the world.

How could Europe resist, after failing twice to consolidate two great victories? The victory typified by the Council of Florence, the ecumenical Council of Florence, and the victory typified by the miracle of Cardinal Mazarin's leadership in creating the Treaty of Westphalia. The Treaty of Westphalia, on which *all international law* in Europe today depends. There would be no international-law tradition in Europe, except for the Treaty of Westphalia.

How could Europe hope to find freedom for its people, from these oppressions? They turned to North America. They turned to the English-speaking colonies of North America.

The turn began earlier. The roots of it had happened in the Massachusetts Bay Colony earlier. It happened in about 1753, when people from Germany—for example; scientists, like Kaestner and others, began to spread their influence, to make

connections into North America, to this noted scientist, Benjamin Franklin. And around Benjamin Franklin, the forces of Europe which were dedicated to the Leibniz tradition, to the Bach tradition, reached out to North America, to the circles of Benjamin Franklin, as an outstanding scientist and leader of the American cause. In the hope of building in North America a great republic, a republic which had in its eyes the vision of Solon of Athens, which had in its eyes the vision of the great Renaissance. How to build a republic which would become a model, to strike back into Europe, to bring the existence of such republics into Europe itself.

And we almost succeeded. We did succeed in creating a republic, the *only* republic on this planet which was based on a true principle: the principle expressed, essentially, by Leibniz's phrase in the Declaration of Independence, the right to the pursuit of happiness.

Now let me explain this, because this is pivotal for understanding what the issue is: What did Leibniz mean, by "the pursuit of happiness"? What did he mean, gratification? No. Happiness is a quality which is peculiar not to animals, but to human beings. What makes you happy? Let me tell you the good news: You're all going to die. Right? Now, knowing that you're all going to die, how can you be happy? Unless there's something in your life, which is more important to you than mortal life itself. Something that you *do* with your life, which makes it meaningful. Which allows you to anticipate dying with a smile on your face: As a Christian believes, with a "victory over death!" You die with a victory over death, because your life has meant something.

What does it mean? Well, what is man, that man should have this quality of happiness? Man is creative. Every animal species is limited in its potential for existence, by its inherited genetic characteristics, as a mortal living thing. No animal can willfully increase its potential population-density. Now, if man were an ape, which some of our politicians seem to imitate, then man would have never had a potential on this planet, in excess of several million living individuals at one time—most of them pretty miserable. How many people are living on this planet today? The estimates are over 6 billion.

The greatest amount of this increase, and the *highest rate* of this increase, began in Europe, in the aftermath of the new dark age of the 14th Century. It began because of a revolution, which placed the value on that quality of the individual, which makes the human being *in the likeness of the Creator of the universe*: the ability to discover the principles which *run* the universe, and to utilize the employment of those discovered principles, to *change* the universe around us for the benefit of mankind.

That is how we are able to have 6 billion people living on this planet today.

Now, if you are a person who locates your identity, not in your physical self—not to look at yourself in the mirror, as if you were a baboon, and say, "I'm a good-looking baboon!" Or your sexual prowess or something of that sort. But, if you locate your identity, in that which makes you in the likeness of the Creator, the expression of the power of creativity, to discover the lawful principles of the universe, and to employ them to solve and overcome the problems that mankind confronts; to make the planet a better place in which to live, for all living things, as well as merely the people on it: That is happiness.

Since we're all going to die, the only thing that meets the test of happiness, is what can you do, to die with a smile on your face?

That's what happiness is! That's Leibniz's conception of happiness—which this evil fellow Voltaire could never understand, and despised. So, that's what the principle of the U.S. Constitution was in the first instance.

And this was against Locke explicitly. Against the British Liberal system. Against the very *foundations* of British

Liberalism, and Dutch Liberalism. That was the *foundation* of the United States. But that was not enough. We needed a Constitution, of a Presidential system. And that was a tough fight.

But the principles of the United States Constitution, are embedded in the Preamble of the Constitution. The Preamble of the Constitution is the fundamental law of the United States, to which all other features of the Constitution are accidental, are subordinated. And to which all laws are subordinated. No law has a right to exist, which violates or opposes the principles of the Preamble of the Constitution. No part of the Constitution, no interpretation of any part of the Constitution, has any right to exist, if it's inconsistent with the intent of the Preamble of the Constitution.

What is the Preamble? The right to sovereignty, national sovereignty. To govern our own affairs, which we can not do, unless we are sovereign.

Secondly, we must subordinate all considerations to the general welfare of *all* of the people. You can not have some preferred people, some less preferred people. *All* of the people have a right to live.

We must not merely content ourselves with our living. We the living, do not own this planet: It belongs to those who came before us; it belongs to those who come after us. And therefore, the law must be: We must serve the interests of those who come after us, our posterity.

That is the law! That law was not something invented in the United States. It was *crafted* in the United States, as law. The conception came from Europe. It was what the greatest minds of Europe, the greatest leaders of Europe, such as the 15th-Century Cardinal Nicholas of Cusa, had fought for. But people found in the soil, at a distance from Europe, or at a so-called safe distance from Europe, the opportunity to implant there, a republic so conceived, and *with a mission*, not merely to serve itself, but to be, as Lafayette put it, later, "a beacon of hope and a temple of liberty for all mankind."

The *raison d'être* of the United States is *to be that*! And when it *is not that*, it fails in its own essential self-interest and mission. Our mission is not to rule the world. Or to attempt to do so. Our mission is *to be that*, which assists and provides the rest of this planet, the opportunity to realize what Europe sought to realize in the great struggles against the legacy of the Roman Empire. That's our special capability.

Abraham Lincoln is probably the President of the United States who most clearly typifies, precisely, this principle of law, this notion of law. He saved the world by defeating the Confederacy, the principle of slavery. He was probably the greatest President the United States ever had. The most consistently great President, morally.

And that is the job of the President of the United States today.

Europe has many things to contribute, which are essential for the saving of humanity as a whole, in the coming period. The problem is, Europe does not have, at present, the kind of political institutions which, of themselves, are capable of meeting that responsibility. There are no true republics in Europe. None. Not by the standard of natural law.

There are Europeans who have a European cultural tradition, which has embedded in it the attributes required to create great republics. But it has come to the time that every time there's a crisis, in Europe, particularly a monetary-financial crisis, the bankers take over. The bankers prevail, as they did in the spread of fascism from 1922 to 1945 on the continent of Europe.

The governments, the people, were not capable of saying, "The general welfare of the people comes first. The bankers come last." Particularly since they're cover stories. They're not honest creditors. They're people who have created a system

to suck the blood, and loot and oppress the people. We tolerate them up to a point, where the system is threatened; where the lives of people are threatened, where cruel deeds are done, in the main. As is being done by the IMF against Argentina. A perfect case of fascism is Annie Krueger, the representative of the IMF in dealing with Argentina. We refer to her in the United States, as the mother of Freddie Krueger. Some people know what that means.

This is fascism. This is evil. Just as evil as Hitler. But who's doing it? The IMF, the International Monetary Fund. Who's it doing it for? It's doing it for Venetian-style financial oligarchical interests, which control central banking systems, which control the national banking systems of most countries in Europe, and which turn as predators on man. This is why Hitler was brought to power. And this was a project, planned at the time of the Versailles Treaty. Probably Hitler himself was not planned, but the operation was planned by the Synarchist International at the Versailles Treaty meetings!

And Europe could not save itself. And therefore, the responsibility of the United States, because of its position, is to, as we say, get its act together; adopt its mission. The mission for which Europe created it! The mission of bringing to other parts of the world, the rights to have truly sovereign republics, in which all of the people of a nation can participate, consciously and knowledgeably, in the management of their affairs, can be educated as to what the principles of law and history are, which should guide them in choosing their decisions. In creating institutions which they control, which perform this function for them, called government.

We have to free the world for that.

Now, at present we are in fairly decent shape, from my standpoint, in the United States. Kerry is not an all-around genius. He's a very ... [break] ... that when a conflict arises, between the financiers and the welfare of the people, government must act to defend the people, and the financiers will wait.

That means, essentially, that, take a situation such as now in Germany. You have upwards of 8 million unemployed in Germany, at the last estimate, these last reports. Over 8 million people out of work. When you take the amount of wealth that those 8 million people could produce, if employed properly, then Germany would not be bankrupt. It'd be perfectly fine.

How do you do that? You draw upon existing financial funds? Not really. The money doesn't exist on which you can draw. You have to *create* it. You have to create it so that it's solid. How do you create it? By action of government! You create money. You spend the money. For what? To put people to work, of course. But that doesn't work by itself. If we just spend money to employ people, then eventually you're going to have inflation. You have to spend it wisely, for the right type of employment. You must spend it for things that will have physical value, 10, 20, 30, 50 years from now. If something will have physical value, in the sense of being useful to society, 50 years from now, then you can afford to go into debt, at reasonable rates, for 50 years, to have that.

That will immediately give you the ability to employ more people. To bring the government into balance, the nation into balance. This is what Roosevelt did. This is what we did, that's how we won the Civil War against the British agents called the Confederacy. This is the American System. We are sovereign in the creation of money, but we must be prudent and wise in the way we create and use that money.

Now, what do we have in the world today? Just to give a picture of the optimistic side.

You have the largest concentrations of population in the world today, are typified by the cases of India and China. China has over 1.3 billion people, India has over 1 billion people. You have a similar situation along South Asia, Southeast Asia—and North Asia. These are areas of different cultures, differing cultures, which often have cultural

disagreements—and cultural disagreements within their own borders.

But these are also areas in which the amount of usable land area is limited, under present technological conditions. China has land area, more than India does, but it's mostly poorly developed, and therefore the advantage of having the greater territory is not there. What these countries lack, also, is not merely land area; what they lack is, for example, minerals. They don't have the mineral resources required to allow them to not only expand their population, but to raise the standard of living, and raise the level of productivity of their people per capita.

Therefore, what do you do in Europe? You say, "Hey, that's our market." Yes, China has some modern industry. India has modern industry, but they don't have enough. They don't have enough to meet the needs of governments which are concerned to bring justice and prosperity to *all* of the people. Therefore, you must have some large-scale development projects, which are beyond the immediate capital resources in the countries of China, India, or elsewhere.

So what can we do with Europe, or the United States? We have—with what we've shut down, but which is culturally embedded in our culture, we have shut down the ability in technological progress, to create these kinds of things, that these countries need from us. So, why don't we make a treaty agreement, long-term treaty agreement, with countries in Asia, the greatest concentration of population, and the greatest concentration of poverty, outside of Africa, on this planet? Why don't we make long-term treaty agreements, two generations ahead? Why don't we create capital funds, by treaty agreement? Why don't we crank up our industries, to prepare ourselves as nations, as a mission for nations, to meet the needs which these countries have, and express?

Isn't that the way to live? Isn't that what is implicit in the Treaty of Westphalia? To give the advantage to the other? Isn't the road to peace and security on this planet, to give the advantage to the other, for sovereign people to commit themselves to the benefit of their neighbor? And to bind themselves together, in ties of interdependency, by these commitments to give the advantage to the other?

Think first of what you can do for somebody else—and maybe then, your own requirement can be met, if they think the same way toward you.

Now, who can do this stuff in North Asia? Central Asia? Who can take the vast mineral resources in North and Central Asia? Who knows how to develop these mineral resources, and how to process them, and use them over the future, to maintain them, as a supply? For the benefit of the expanding demands of South, Southeast and East Asia? Who knows that? Russia.

There's a building on the square, Red Square, as it used to be called, the Vernadsky Museum, the geological museum, and the people working in that museum, associated with that, represent the knowledge which is necessary for solving this great problem which affects immediately China.

We can develop this area of North and Central Asia. But to develop it we can't exploit it; we must *develop* it. You can't get the mineral resources you require from this area by exploiting it, looting it. You must develop it. You must populate it. You must build up cities. You must build up industries. You must build up systems of maintaining life, plant life and so forth. You must do all these things.

It means you must take this whole territory, *and develop it, not loot it*.

Well, to develop it and not loot it, you have to have some people sitting on it. Well, we've got Russians. We've got other people. We can create international institutions of education and cooperation, which are capable of this kind of task. And

our mineral resources are not limited to this part of Asia. Or to the Great Shield in Africa. Or to the great resources of South America. The oceans! The greatest source of minerals on this planet is in the oceans, and underneath them. That's the greatest part of the surface of the planet. We have to learn to manage the mineral resources of this planet.

Now, go back to Vernadsky and another thing, just to get a picture about how we have to think about economics. Forget money! Money is an idiot. It has no idea of what to do. It will behave badly in any case, given the opportunity to do so. So, talking about free trade, and free circulation of money, and globalization, — only an idiot, and particularly a suicidal idiot, would seriously think about such a proposition. Money is something which should be created by government, and since money is an idiot, government has to regulate this disease, called money, which it has unleashed on society. You do that by methods of regulation.

And let me indicate some of the physical characteristics of this.

Let's take the case of our friend Vernadsky, a great scientist, a great follower of Mendeleyev, who's also a very creative person, who dealt with these kinds of things I referred to about how to develop Eurasia. Now, what did he do?

In his major work, he did many things. He was an all-around genius. But one of his last achievements was to define a concept of the way in which the planet is organized, a concept which very few scientists today have ever seemed to have understood. He went back to ancient Greece, to *pre-Aristotelian* Greece, to the Greece of the Pythagoreans and Plato and so forth, to a concept of the nature of science, which these Greeks developed, on the basis of understanding Egyptian astronomy, which is the basis of modern European science. It's rooted in Egyptian astronomy. And when we look back to about 4,700, 4,800 years ago, to the building of the Great Pyramids of Giza, and you look at them for the astronomical instruments they were designed to be, you have an insight into what ancient Egyptian astronomy was.

And it was from this, it was from this which the Greeks called the Spherics, from which Greece defined the creation, the inception, of modern European science.

Vernadsky went back to that, and recognized that there are three principles which govern the way the life on Earth is composed, and in the universe. First, from the standpoint of experiment, scientific experiments, there are things we consider inorganic. That is, the principles involved in these particular processes, do not require any consideration of intellect or life to function. In other words, you can define these processes quite effectively, for your purposes, without taking into account the existence of life as a principle, or cognition as a principle.

We have a second area, of those kinds of processes which we know largely as fossils. The history of the Earth. The products of life. Things which could not exist on this planet, except as a result of action of a principle of life, as distinct from inorganic processes.

And this he called the biosphere. The planet is using, the planet is getting more and more of the fossils of living processes, and proportionately less and less of simply inorganic forms. The planet is being transformed, as it were becoming, itself, a living creature! Through the spread of the increased composition of these fossils. The biosphere, and the processes of life which regenerate, and expand, the biosphere.

Then you have a third one, which no lower form of life has, as a principle. The principle of cognition, or what the Greeks call hypothesis, by which the human mind is capable of discovering the universal principles in the universe, which otherwise are not found in life, or in non-living processes.

Now you begin to see the pure idiocy of information theory. An information theorist is not a scientist, he's a quack. And

don't trust him. He probably steals, too.

Therefore, now, what are we talking about, on this planet? We are human beings. We're living on this planet, and we hope to be soon living also on some other planets. We're going out there — it's inevitable, unless we destroy ourselves before we get there. We're just going to have to go out there, because it's part of the Solar System. The Solar System is a system. We have to learn how to manage life within the Solar System. We're going to have to go out and explore the Solar System, to learn how to manage life from the standpoint of the processes of the Solar System. And we'll get out there to find out something about things we didn't know about, on Earth, which actually affect life on Earth.

But, what are we doing? Just in the way that living processes have transformed the planet, into one into which human beings could be born, so the development of the planet by man, the fossils of human activity, large water projects, large systems which do not exist in nature, have been created to make life possible, human life possible, where it's otherwise not possible. To enable us to sustain large populations, where only small populations could otherwise exist.

So, we are building up the Noosphere, the accumulation of fossils, which we sometimes call basic economic infrastructure: the water systems, the power systems, all these systems. We're building them. Schools, hospitals—it's all part of this. It's part of the Noosphere. Building up systems which take a bigger and bigger percentile of the total planet's mass. We create that.

We created these conditions, which enable us to increase the potential population-density of the planet, which raise the standard of living of the individual on the planet, by enabling people to be more productive. That's real economy.

So our function in economy is to think in these terms, today, because the planet is becoming crowded—crowded in the sense that processes have overtaken us, to the point that we have to seriously manage the planet. You can't go running around in some strange area and setting up a kingdom or something, as was tried in earlier times. You have to develop an area, to accommodate a larger population. To develop an area to provide a higher standard of living for that population. You must change the totality of the environment. You must do it in a scientific way.

Now, here's where the rub comes. Here's where the idiots come from, like Marx. Or Engels, in particular. And this was the problem with Saxony, they had the Engels influence over there.

Engels said that man's progress—man was just an ape, who progressed because of the opposable thumb, which is scientifically nonsense, just at the start. Man is not an ape. Man has a quality which no ape has, which Vernadsky recognized. Man has the power of creativity. Man is a creature in the image of the Creator, and this ability is of an intellectual nature, a human intellectual nature. The ability to make scientific discoveries, hypotheses and prove them experimentally, and to change the conditions of life and behavior of mankind.

Now, this ability to discover is not a group-think operation, and all of our youth who've gone through this process of dialogue know that. It's an interaction within a group of people, but the impulse of action comes from the sovereign mind of the individual. Therefore, in society we have this apparent paradox. Progress depends upon a collective agreement to development of the world in which we live, in a certain way. That we must agree upon; otherwise it doesn't work. We don't cooperate. It doesn't happen.

But: The incentive, the spark, which enables us to discover the principles which will then serve us, comes only from one source: the creative powers of the individual human mind. No one has ever seen the creative powers of the individual human mind at work, from outside that human mind. No one could. You can't measure it physically. It does not fit the nature of the biosphere. It's a higher quality which exists in the universe, which is very interesting to theologians, because

it says that God exists in the universe. Otherwise it couldn't happen. And God also exists in man, otherwise man couldn't do it.

So, it's not in the plants, it's not in the little bunnies, and so forth. It's in the individual human mind, a sovereign individual mind, which is capable of making a discovery, and achieving a peculiar kind of immortality.

Take the case of Archimedes. Now, Archimedes was not the greatest discoverer in ancient history, but he's a good example. Archimedes made discoveries which are very thoroughly documented, because some French people got to collecting all these things. His writings are well documented. Now today, a student, in fact there's a student in our youth movement, in particular, who will do that, maybe in the university or not, where they're lazier, but in our youth movement they would—take a discovery by Archimedes. Take the problem as he defined it. Recognize the anomaly which he used to make a discovery of principle. Now reenact in your own mind, the mental act of discovery which Archimedes did.

Now, what have you done? You, with your living tissue, have observed something that Archimedes did. You've gone through the same experience, and now the same idea he discovered comes popping out of you, in your living tissue, as if he were alive today. This is what culture is, human culture is—the transmission of ideas of that nature. Scientific ideas, Classical artistic ideas.

These things are then re-enacted, in the minds of the people to whom we transmit these discoveries. Often we know these people personally. The greatest discoverers are usually known to us. Great people, who are an influence upon us, they're known to us. When they die, you can relive in yourself what happened in their mind, if you really shared it. That is our relationship to mankind before us. All of humanity lives in us, who are living today. And our pursuit of happiness is to ensure that we live in the society we're creating for tomorrow.

So, we have ... that's the basis for physical economy. Money is just a nothing by itself, a simple piece of paper. It's a fiction. There is no law of money. There is no law of free trade. This is all gibberish. Money is something we have to manage, because it's an idiot, but we have to manage it to a purpose. We have to manage it, not as the communists said, where the proletarians instinctively, through their gut or something, secrete wisdom, collectively. But we have to manage it through the process of the individual, development of the individual mind. Through the intellectual process in that higher sense.

And we have to create a society in which we are causing more and more people to participate in society, not as human cattle, but to participate in the sense of, "We want to have happiness," and happiness as a sense of living, as an efficient part of the future. Not biologically existing, as a part of the future, but existing in the benefit, which we give to future generations.

We think of ourselves as embarked upon a mission in life.

The other aspect of this concept of self, comes up in military science. It's typified by Shakespeare's case of Hamlet. Now, the case of Hamlet is quite relevant to thinking about John Kerry. What was Hamlet in real life?

Hamlet was a brave soldier. Kerry was a brave soldier. Whether you like the war, as he didn't, or not. He fought as a brave soldier. He was capable of giving orders on the level of a captain or a major, perhaps a colonel. He was good at it. But he was not—he lacks one thing: Just as Hamlet, a similar skilled soldier, who could get somebody behind a curtain, with one stab of a blade of his knife, but he could not face immortality. He could not face the issue of command. He could not face, in a sense, what Friedrich der Grosse faced at Leuthen, of putting his whole force in jeopardy, by his decision, as his responsibility. The responsibility of command.

See, the sergeant, the lieutenant, the captain, the major, will get by if he does a good job. He will sacrifice himself, but on the basis that he has confidence in the leadership of his forces, that his effort will not be a waste. That if he is spent, he will be spent to a good purpose.

But then, take that same brave soldier, that brave leader of the unit. Put him in the position where his nation's *existence* depends upon his willingness to make the kind of judgment upon which the future *existence* of that nation depends. You get a Hamlet, who would plunge to death in some exercise, rather than face what lies beyond death, the question of immortality.

The problem we have today, you have all these nuts running around saying they're religious. But most of them I know, don't have any sense of immortality. They don't have a real sense of immortality. Someone comes along and promises them an elegant suite on the other side of life, beyond death, and tells them that they won't have to pay next month's rent if Armageddon comes today, that is not a sense of immortality. A sense of immortality is more for the Christian, for example, of Christ's expenditure of his mortal life, for the future of all mankind.

That is the quality which, you know, the quality of a great saint, a great apostle, is that quality, of the ability to competently exercise command in leadership, which is the most vital problem we face today. We don't have a single known leader in Europe who is capable of doing that. I don't know of any in the United States except me, who could do that.

So, what we're going to do is this. We're going to take a very good commander, in the lower rank, a Kerry. Very intelligent. Strongly intelligent. A man of good character. Forget all the shortfalls—many people have shortfalls. But when it comes down to a balance, this guy is not bad. He can do the job. I have available to me now, from the institutions of the United States, and from friendly contacts with people of responsibility in other countries, I've available to me now, access to the best possible advice which can be given to a President of the United States, under these conditions. Therefore, we have to build around such a choice of a national leader, we have to build an institution of government, that is, a living institution of people in government, who are capable, collectively, by their interaction, of making the kinds of decisions that a great commander must make.

We must have no less mission than saving this planet. Don't worry about this country or that country, next week or next year. Get your mind off that. The issue is, to save civilization, which is now in jeopardy.

We're faced with something far worse than Hitler. Even though Cheney is not much—he's just an animal—but the system itself, the system of the planet, the condition of the planet, is far worse than it was back in the 1920s. We need extraordinary leadership. The United States must provide that leadership. I'm confident from what I know of Europe, that if the United States *would* provide that kind of leadership, that there are forces in Europe who would quickly respond, because they want a way out. As we saw today, with the message from our friend, our Iraqi friend: There are forces in the Arab world which would respond. They simply want the kind of leadership with which they can work, to get us out of the hell we're in.

There are forces all around the planet who will cooperate. I know many of them, or know of them. They would cooperate. But who's going to step forward first? The nation that must step forward first, is the United States, because of its position of power, among other reasons. And we have, we have a very good chance now, of getting rid of the Bush-Cheney Administration. Those who say otherwise, don't know what they're talking about. We're on the edge.

If the Kerry crowd does not fail, and, as you know, I'm on the inside of this, if the Kerry crowd does not fail, and I think it will not fail, we'll win, and we're through this safely. It can't be guaranteed, because the war has not yet been won. But we

have a winning capability, a winning position, a winning potential. And we must think like a commander, as a commander should. I have to think, not of what if we're defeated, what if we don't succeed. No. A commander does not think like that. A commander is committed to the result—absolutely, unconditionally, committed to the result. As *I am unconditionally committed to defeating what this Bush-Cheney thing represents*.

Now, from this we must learn some lessons, as we come out of this, and I think we will come out of it.

We must learn, the time has come, we can no longer play games with humanity, the way games have been played in times past. We now have to go to something like the Treaty of Westphalia, and say, "This planet, yes, we must have sovereign nation-states, because if we don't have sovereign nation-states, you don't have a mechanism by which the individual person can participate culturally in running their own nation." Therefore, we must not have any globalization. People can understand ideas only through the culture of which they come out of. They may come out of that to understand on a global level, but they have to work within the cultural antecedents of language, and so forth, they live in. They must have their own nation, as they choose. Otherwise, they are not individually sovereign.

But we must understand, that while we must seek sovereignty, we must also understand sovereignty as the great Cardinal Mazarin understood it. The sovereignty of a system of nation-states, depends upon a deep devotion, of each and all those states, to the advantage of the other state. That every nation must think about what he can do for humanity as a whole, or for particular parts of humanity. It's what you do for others, which is the greatest source of security you have in your own nation. To the degree that you think competition and rivalry are the requirements of patriotism, you're an idiot, and you just end up with another one of these crisis.

So, I can dedicate the rest of the subject of economics to these two stalwart characters whose names I have mentioned. Dennis Small, who will present some of the work we're doing in the United States, to make clear the principles of economics, to people who have been unfortunately poisoned, had their minds almost destroyed, by studying economics today. This will free you from that.

Also the question of the environment, where I described the Noosphere and biosphere, this is something I think Jonathan will deal with from the standpoint of Riemann: It is, that the increase of productivity does not come so much from what you do, on your job; the increase of productivity comes largely from the environment which is created around the job you have. Just as the development of electrical power, even if there were no change in production, is one of the greatest single sources of the increase in productivity. So, therefore, the environment which people ignore—that is, the creative environment—is the most important, and I'm sure Jonathan will take care of that quite adequately. We've discussed it a lot, and I know he's well prepared.

Thank you.

Feature:

LaRouche: Defeat Bush-Cheney To Prevent Perpetual War

Lyndon H. LaRouche, Jr. issued this statement, titled 'A Vote for Bush-Cheney Is a Vote for Perpetual War and Economic Hell,' on Sept. 20, through the LaRouche Political Action Committee. LaRouche, who was a candidate for the Democratic Party Presidential nomination in 2004, has endorsed John Kerry and John Edwards, and is aggressively campaigning for a landslide Democratic Party victory on Nov. 2.

- **In Iraq: The Neo-Con Perpetual War Policy**
by Carl Osgood (See p.5 of above article.)

While the content of a July 2004 National Intelligence Estimate (NIE) on Iraq, leaked to the New York Times on Sept. 16, shows the

folly of the Bush-Cheney war policy in Iraq, Bush's public response to that intelligence estimate puts a fine point on Lyndon LaRouche's warning that a second Bush- Cheney Administration would mean 'perpetual war and economic hell.'

Israel Primed for Strike Against Iran

by Muriel Mirak-Weissbach

When the International Atomic Energy Agency (IAEA) passed a resolution Sept. 17, setting a Nov. 25 deadline to resolve open issues about Iran's nuclear program, and calling for Iran to immediately halt all activities related to uranium enrichment, the Rubicon was crossed, at least for Tehran. Iran made known that it would not allow any foreign interference in its nuclear program, and pledged to proceed—with or without the IAEA.

Economics:

Bush/Cheney Have Meant Poverty to Pennsylvania

by Richard Freeman

The current condition of once-prosperous Pennsylvania is one of the clearest and most agonizing examples of deindustrialization in the annals of U.S. history.

Pennsylvania Hospitals And Healthcare Vanishing

by Mary Jane Freeman

Sell not virtue to purchase wealth nor liberty to purchase power.

—Benjamin Franklin

Pennsylvania, the cradle of American healthcare, where Benjamin Franklin and others established the first hospital on these shores and promoted medical scientific research, has had its hospital infrastructure systematically looted and shut down over the last two and a half decades. The ongoing disappearance of hospital care in Pennsylvania—in particular, of the availability of hospital beds to the people of the Commonwealth, county by county—is emblematic of the destruction of healthcare infrastructure nationwide in the 'HMO era.'

A City in Need of Shelter

by Richard Freeman

In Philadelphia, one-sixth of all households pay 50% or more of their income for housing. The number of vacant apartments in the city has doubled over the past three decades; the rate of evictions from homes is running at 600-1,000 per month; and, at least 33,000 affordable housing units need to be built for the poor. Philadelphia echoes the nation's economic crisis: Its loss of 230,000 decent-paying manufacturing jobs over the past 35 years has created a large number of poor, who cannot afford housing.

California's Hospitals Closing, More Cuts Ahead

by Linda Everett

The Los Angeles County Board of Supervisors announced on Sept. 13 that Los Angeles County will lose yet another of its trauma centers—the Martin Luther King-Charles Drew Center which serves the very, very poor population of Watts. The King-Drew Hospital and Trauma Center was built after the 1965 Watts riots to serve the inner city population. Now, the Trauma Center is to close within 90 days—and it is not yet known if the Hospital itself will survive its multitude of financial crises. The shutting of the trauma center is emblematic of the crisis devastating California's entire healthcare infrastructure.

Germany Prepares for An Economic Emergency

by Lothar Komp

Remarkable things are happening in Berlin these days. On Aug. 12, the German government introduced a revision of the 1968 economic emergency law. In the absence of any public debate and any coverage so far by the established media (the new law was published in the official journal for legal affairs, the Bundesgesetzblatt, on Aug. 17), the new order has already been approved by the Bundesrat, the upper house of parliament.

The IMF Is Killing Mexico With Thirst

by Alberto Vizcarra Osuna

In the Summer of 1982, Mexican President José Lo'pez Portillo launched the construction of the Fuerte-Mayo Canal in the border area between the northwestern states of Sonora and Sinaloa, for the purpose of reactivating the Water Plan of the Northwest (PLHINO). But ever since then, all succeeding governments have submitted to the fiscal austerity and budget- balancing policies dictated by the International Monetary Fund (IMF). The result has been turning Mexico away from public investment in basic infrastructure and, simultaneously, the suspension of strategic public works for national economic development.

International:

Elections in Saxony Transform German Politics

by Rainer Apel

The results of the Sept. 19 elections for state parliament in the German state of Saxony show the beginning of a qualitative shift in German politics. The inability to deal with the worsening economic crisis has devastated the 'established' national parties, first of all the Christian Democratic Union (CDU), and, to a slightly lesser extent, the Social Democratic Party (SPD) of Chancellor Gerhard Schro'der and his Green Party coalition partner.

Who, or What, Is the 'Islamic Army of Iraq'?

by Muriel Mirak-Weissbach and Hussein Askary

When Russian President Vladimir Putin, on Sept. 4, identified terrorists, like those who had organized the massacre of Beslan, North Ossetia, as 'instruments' backed by foreign powers, committed to destroying Russia, he relocated 'terrorism' in the global strategy of tension. In later statements, he identified those forces harboring such terrorist leaders (in London and Washington), thus pinpointing the origin of the threat. As Lyndon LaRouche has insisted for decades, naming the names is one crucial step in defusing terrorist threats.

Let's Tell the Truth About Sudan

by Lawrence K. Freeman

Washington, D.C. has been awash over recent weeks with forums about the crisis in Darfur, Sudan, which feature speakers from the far lunatic right to those with a more moderate outlook. The Washington Post has been filled with editorials and commentary attacking Sudan. Hypocritically, many of the sponsors and participants in these events don't really give a damn about the people of Sudan, much less about the welfare of hundreds of millions of sub-Saharan Africans, who are barely existing in some of the worst conditions, not fit for human beings on this planet. Otherwise the conditions in Darfur, and other regions like Darfur, would never have been allowed to fester. Members of the Congressional Black Caucus demonstrate and partake in their symbolic arrests outside the Sudanese Embassy, with support from many gullible and naive African Americans.

Investigation:

LaRouche PAC Testifies To Senate Against Porter Goss Hearings

LaRouche PAC Executive Director Dr. Debra Hanania Freeman delivered written testimony, published here, to the Senate Select Committee on Intelligence on Sept. 21, opposing the nomination of Rep. Porter Goss (R-Fla.) to the post of Director of Central Intelligence.

A Question for DCI Porter Goss

by Anton Chaitkin

On Sept. 13, the eve of hearings scheduled on the nomination of Florida Congressman Porter Goss as Director of Central Intelligence, LaRouche PAC released a question about the narcotics trafficking events around Lee County, Florida, where Goss had served as County Commissioner. The Sept. 13 question was appended to the LaRouche PAC testimony submitted to the Intelligence Committee (see p. 62). That question is still unanswered, and this report provides the dramatic background for what Goss must still be asked.

National:

Democrats At a Turning Point: Kerry Starts Telling the Truth

by Nancy Spannaus

A shift in the campaign strategy and tactics of Democratic Presidential candidate John Kerry, to hold President George W. Bush and his controller, Vice President Dick Cheney, accountable for disaster in Iraq and for the horrendous condition of the U.S. economy—a shift demanded by leading Democrats Lyndon LaRouche and former President Bill Clinton, among others—holds the promise of victory for the Kerry- Edwards ticket in November.

Establishment Figures Demand That Candidates Address Pressing Issues

by William Jones

In two conferences in Washington at the beginning of September, angry voices have been raised by leading political figures about the paucity of discussion that had hitherto been held on the major issues facing the nation in this election campaign. In what Lyndon LaRouche characterized as the most important election in U.S. history, the political debate in the first weeks of the Presidential campaign consisted largely of attacks by the Karl Rove-instigated medley of discontents, the 'Swift Boat Veterans for Truth,' whose sole interest has been to to besmirch the military record of Democratic candidate John Kerry, a decorated Vietnam veteran, and the fending off of those attacks by the Kerry campaign.

Chas. Freeman:

'The Serious Questions Are Being Ignored'

The National Council on U.S.-Arab Relations (NCUSAR) held its 13th annual conference in Washington on Sept. 12- 13, attended by about 300 oil industry executives, diplomats, journalists, and Middle East political activists. Chas. Freeman, who was an Undersecretary of Defense and the U.S. ambassador to Saudi Arabia, delivered these closing remarks.

Lee H. Hamilton:

Toward a Substantive Dialogue of Democracy

Lee Hamilton is the president and director of the Woodrow Wilson Center for Scholars. A former Congressman from Indiana, he was also the vice chairman of the National Commission on Terrorist Attacks Upon the United States ('9/11 Commission'). He gave the speech excerpted here to the Eisenhower National Security Conference, in Washington, D.C. on Sept. 15.

LaRouche Youth Expose Naderites as Fascists

by Our Boston Bureau

A Sept. 21 meeting of the Nader-Camejo Presidential campaign at Northeastern University in Boston, was the scene of a confrontation which exposed the Naderites as the fascist 'beast-men' they are. Under questioning from representatives of the LaRouche Youth Movement (LYM), Vice Presidential candidate Peter Camejo, a Wall Street speculator and veteran of the Socialist Workers Party, started raving, and ordered his goons to physically attack and drag out LYM member Nick Walsh, scratching, kicking, and nearly strangling him in the process. As violent as the suppression of dissent by the Naderites, was the attack by Camejo and his sidekick Dedric Muhammad (a self-described former aide to Al Sharpton) on the Kerry campaign, and, de facto, in defense of President Bush!

Tom DeLay's Cronies: Is 'the Hammer' Headed or the Slammer?

by Harley Schlanger

In the often strange and fascinating world that is Texas politics, allegations of illegal fundraising and abuse of power are not exactly unheard of. Yet, rarely are they so closely intertwined, as in the unfolding scandal surrounding U.S. House of Representatives Majority Leader Tom DeLay ('the Hammer'), whose fundraising apparatus and political hit team were served with 32 felony counts of indictment on Sept. 21, for allegedly funneling corporate campaign contributions to Republican candidates for the Texas state legislature.

U.S. Economic/Financial News

Feds Have Mortgage Giant's Fannie in a Sling

Mortgage giant Fannie Mae was nailed by Federal regulators for accounting crimes related to derivatives trading; the SEC

is investigating. The Office of Federal Housing Enterprise Oversight (OFHEO), in an ongoing eight-month probe of Fannie Mae—the second-largest U.S. financial institution, behind Citigroup—has found "serious" and "pervasive" accounting problems, especially in Fannie's accounting for transactions involving derivatives—widespread violations calling into question its financial soundness.

OFHEO, in a 210-page report made public Sept. 22, said its findings "are serious and raise concerns regarding the validity of previously reported financial results, the adequacy of regulatory capital, the quality of management supervision, and the overall safety and soundness" of Fannie Mae.

OFHEO documents in detail what it calls a pervasive pattern of earnings manipulation, "weak or nonexistent" internal controls, and a corporate culture "that emphasized stable earnings at the expense of accurate financial disclosures."

As an example of the accounting fraud, in 1998, Fannie manipulated its financial results to meet earnings targets, in order to trigger several \$1 million-plus bonuses for top managers.

In response, the U.S. Securities and Exchange Commission has launched a preliminary inquiry "that includes issues raised in the OFHEO report," Fannie's presiding director said.

Meanwhile, the Federal Reserve Bank of Atlanta released a study on "resolving the possible failure" of Fannie or Freddie, an insolvency it warned could lead to "significant" disruption of the financial markets. The paper was to be presented at a Sept. 23-24 conference on "regulation and financial stability."

Fannie and Freddie support \$4 trillion in home mortgages, representing more than three-quarters of the single-family mortgage market—and, as key players in the mortgage-backed securities market, intersect the bankrupt U.S. banking system.

Bush Cuts Federal Housing Aid to Poor Families

The Bush-Cheney Administration has cut the nation's key Federal housing aid program, which will throw an estimated 250,000 households out on the street beginning October—far more than Hurricane Ivan. An estimated 6 million households in the United States are living on the edge of homelessness, because of low-income and lack of affordable housing. Of these, about 2 million currently receive some Federal rent assistance through the "Housing Choice" program—called "Section 8" of the 30-year-old law passed during the post-industrial downshift period, when Federal policy ceased fostering localities to build sufficient housing projects (public or private), and instead proffered Federal vouchers to poor households, with which to defray their rent to private landlords.

Now the Bush/Cheney 2005 budget changes are drastically cutting even that, and 250,000 households are threatened with homelessness after Oct. 1. Many more could follow. The Housing and Urban Development agency has requested a Section 8 budget cut of some \$1.6 billion for 2005. HUD rationalizes this with the standard neo-con "transformation" mumbo-jumbo, about how localities can make do with less, by getting money in a block-grant.

Of the 6 million households currently in precarious housing situations, over 90% are seniors, disabled persons, or families with children, who can't cope. The majority of Section 8 renters live below the poverty line of \$18,000 or less for a family of four, and pay over 30% of their income for rent.

Overall, 14 million households are facing critical housing problems, because they are paying more than 50% of their income for housing, according to the National Housing Conference. In no city can a minimum-wage earner afford a two-

bedroom apartment. Two metropolitan areas typify the crisis across the country:

* *Philadelphia*. At minimum, 33,000 more housing units are needed for rental accommodation for the poorest households, with incomes below \$20,000 a year; they have nowhere to turn. Of the city's total of 589,280 households, 35% of them—206,250—earned incomes less than \$20,000 a year. A sub-group of that number, some 90,400 households, are paying more than 50% of their income for housing, which means one out of six households is in this impossible bind. What housing is to be had, is often decrepit and dangerous. Half of all dwellings date back to before 1934.

The City's Housing Authority, fourth biggest in the nation, dropped the number of apartments in their public housing projects, from a peak of 23,000 down to 11,800, from 1993 to 2004. Section 8 rent subsidies to defray rentals in private housing, have not made up the difference; and now are being cut by the Cheney-Bush Administration.

* *Cleveland/Akron*. In the eight-county greater Cleveland-Akron region, 2,728 households are to lose their housing assistance in 2005; and 6,521 more by the year 2009. On July 1, the Catholic Diocese of Cleveland denounced this as an "alarming shift," and provided the following county-by-county table, in the area served by their charities, which are being overwhelmed.

Bush-Cheney Housing Cuts: Cleveland-Akron Region

County	Number of Vouchers July, 2003	Families Cut Off, as of 2005	Families Cut Off, as of 2009
Cuyahoga (Cleveland)	12,859	1,559	3,741
Summit County (Akron)	3,983	483	1,159
Lorain	2,695	327	784
Lake	1,358	165	395
Wayne	842	102	245
Medina	506	61	147
Geauga	171	21	50
Total:	22,414	2,718	6,521

Eastern Michigan Bankruptcies Soaring

Bankruptcy filings are skyrocketing in industrial Eastern Michigan, hit by the decimation of the automotive and machine tool sectors, the U.S. Bankruptcy Court for the Eastern District of Michigan reported. Already through August, a staggering total of 31,608 bankruptcies—most of them as companies liquidated—have been filed this year, up 2.6% from the same period in 2003—and 22% more than the 25,015 bankruptcies filed in *all* of 2000. This current eight-month total, moreover, is more than double the 15,521 bankruptcies filed during the entire year in 1994.

Mass Layoffs Hit 60,000 in August

Mass layoffs hit 60,033 additional workers in August; Michigan, Ohio, and Pennsylvania account for 18% of job cuts nationwide, since January. According to figures released by the Bureau of Labor Statistics Sept

mass-layoff actions in August, affecting 60,033 workers, as measured by new filings for unemployment benefits. So far this year, more than 1.118 million workers have lost jobs in mass-layoffs (involving at least 50 employees at a single firm).

Manufacturing suffered 24% of all mass-layoff events and 26% of all initial unemployment claims filed in August.

By state, California had the highest number of job cuts (18,768), followed by New York (8,063), Pennsylvania (4,847), and Florida (4,842).

From January through August, California reported 271,098 initial unemployment claims filed in mass-layoffs, followed by New York (74,552), Michigan (73,486), Ohio (67,776), and Pennsylvania (61,030).

Cincinnati Starts Rotating 'Brown-Outs' at Fire Stations

Cincinnati officials began Sept. 22 targetting certain neighborhoods (including downtown) with fire-station "brown-outs," for the rest of the year—temporarily eliminating one entire four-person crew during certain days, leaving only one fire company available for emergencies.

Firefighters Union president Joe Diebold denounced the brown-outs as "risky business," warning officials that the resulting increased response times would amount to "gambling with the lives of residents."

Halliburton May Dump KBR, Amid Criminal Probes

Halliburton said it may sell its KBR subsidiary, which is under investigation for overcharges on a U.S. Army logistics contract in Iraq and bribery at a Nigerian LNG venture, in order to boost the price of its stock, Bloomberg reported Sept. 23. The unit would be sold or spun off to shareholders if Halliburton's stock remains undervalued relative to those of rivals in the oilfield-services business, CEO David Lesar told analysts and investors at a meeting in Houston.

World Economic News

IMF: Housing Bubbles Everywhere, But Not in U.S.

There are housing bubbles everywhere, but not in the United States, the International Monetary Fund (IMF) wrote in its new "World Economic Outlook," released on Sept. 22. In its schizophrenic warning, the IMF noted that exaggerations in the housing markets have become a "global phenomenon" in recent years. The IMF singles out Britain, Australia, Ireland, and Spain as countries where house prices have risen more than 50% within the last six years and are now clearly "out of line with fundamentals" (IMF-speak for "bubbles"). In these countries "there is a danger that higher interest rates could trigger a much larger downward adjustment in house prices, with considerably more severe consequences for real economic activity." While higher interest rates will slow down price rises in the housing markets worldwide, there is the risk of "a more pronounced drop" in a number of special countries.

Coming out a week before the autumn IMF/World Bank/G-7 gatherings, and a few weeks before the U.S. elections, the IMF report draws some miraculous conclusions concerning the U.S. housing market. Here, the IMF analysis "does not find compelling evidence suggesting that a real house-price drop is in the offing."

To Create Jobs in Eastern Germany: Produce Rail for Eurasia!

An interesting report has been published by the German firm Vossloh, at the InnoTrans exhibit of transport firms and experts in Berlin, news wires reported Sept. 21. The report says that there is an urgent need for 13.2 billion euros of investment in railway modernization in Eastern Europe and Russia, between now and the end of 2006.

Russia alone needs 6.5 billion euros of investment; another 1.2 billion are needed in Poland. German manufacturers of railway and track materials, like Vossloh, could produce a lot for the East, if the governments cooperated actively with the producers, the firm's CEO Burkhard Schuchmann said.

What is true for his firm, which is based in the Sauerland region of western Germany, also applies to eastern German producers like Waggonbau-Bombardier in Saxe-Anhalt and in Saxony, which before 1990 supplied all of Eastern Europe and the Soviet Union.

United States News Digest

EIR ONLINE POSTS SENATE HEARINGS ON GOSS NOMINATION

Given the importance of the Director of the CIA position to the Bush Administration's policy of "preventive war," and "perpetual war," EIR Online provides the full transcript of the Sept. 20 hearing of the Senate Select Committee on Intelligence, where Senators questioned nominee Rep. Porter Goss (R-Fla). The hearings were chaired by Sen. Pat Roberts (R-Kan.). The following transcript was prepared by Federal News Service; it has not been edited by EIR Online.

See this week's InDepth for the LaRouche PAC testimony opposing the Goss nomination.

Transcript: Senate Hearing on Porter Goss Nomination As Director of CIA

SEN. ROBERTS: The committee will come to order.

The Senate Select Committee on Intelligence meets today to continue considering the nomination of the Honorable Porter J. Goss to be director of Central Intelligence.

Congressman, thank you for returning to make a second appearance before the committee after five and half hours, as of last week.

I have one or two additional questions for the nominee, but before I get to them I would have recognized the distinguished vice chairman for any remarks he might wish to make. We will recognize him just as soon as he attends the session.

Congressman Goss, often we hear concerns about policymakers and intelligence and the politics of same. Rarely, however, do we hear concerns about the flip side of the coin, the intelligence community efforts to shape or influence policy. The latter is a very real and very unwise phenomenon. The intelligence community should provide the facts, let the policymakers simply sort them out.

How will you ensure that the intelligence community does not cross the line into policymaking?

REP. GOSS: Thank you, Mr. Chairman. As I stated last time, I feel very strongly that it destroys the credibility of the intelligence if it is thought to be contaminated by the policymaking process. I believe it is the DCI's responsibility to make

sure that that does not happen in all the product, that the product has to be vetted and considered pure by the DCI before it is given to the policymakers. I think that that process can be worked out, and very well, in a management form, and I would foresee no problems at all conveying that understanding to the people who are involved in the intelligence community.

And I would have to point out, I think that understanding is pretty well there. There is a very strong line among the people who work in the community between those who are in the process of taking the product and analyzing it, and taking information and analyzing it — a delivered, finished product — and those who are policy who are not part of that. Intelligence is to inform policy. And I think that the professionals do understand that. But I think that they have to be continually monitored and there have to be safeguards put into the system. If I am confirmed, I will certainly consider that a critical job, because it has been one that has caused the intelligence community a good deal of consternation in the past couple of years. SEN. ROBERTS: I appreciate that strong statement.

Should the intelligence community have a voice and a vote at the interagency table on questions that first and foremost are policy decisions?

REP. GOSS: Absolutely not, sir.

SEN. ROBERTS: Congressman, as you know, the president did direct the CIA and the FBI to co-locate their operational and their analytical counterterrorism components at the new TTIC facility. The FBI's counterterrorism division just finished moving into that facility. It's my understanding that almost all of the CIA's counterterrorism center is still at Langley. Do I have your absolute commitment that when you are confirmed you will take immediate steps to ensure that all of the operational and the analytical components of the CIA's counterterrorism center will be co-located with their FBI counterparts at the new TTIC facility?

REP. GOSS: Yes, sir.

SEN. ROBERTS: Senator Wyden.

SEN. RON WYDEN (D-OR): Thank you, Mr. Chairman. Congressman Goss, as you and I talked about in the office, what I am most troubled about is your willingness to be a change agent at the CIA.

I think that we discussed over the course of the last week the matter of being partisan, the question of being objective, those kinds of issues. And my sense is, I can give somebody the benefit of the doubt on those kinds of issues.

But I have scoured your record, and I just don't see any real evidence of your willingness to push for intelligence reform and be a true change agent. And it is heavy lifting; nobody underestimates that. But I think we saw with Tom Kean that it can be done. I mean, he went into that 9/11 commission project. He had to take on the White House. They were reluctant to cooperate. He handled it in a thoughtful way, and he was able to get a lot of the information that was needed.

What in your record shows that you're willing to be serious about pushing for intelligence reform and particularly doing what Tom Kean did, which is to stand up to your administration, stand up to a president of your party?

REP. GOSS: Senator, as I said last week, I believe it is the intelligence community's job to provide the best product to any administration. It's not a partisan question at all. And as I explained last week, I well understand that I am leaving one arena and, if confirmed, heading to another arena that operates completely differently, where partisan politics are not part of the job.

In fact, I take that so seriously, I've made a down payment on that pledge. You have not heard a word from me publicly on any partisan possible way since the president nominated me.

So I assure you that I understand that the product of the community is for the administration that is running the country, whatever the voters choose on that.

Now with regard to your questions on what have I done, I did appreciate our conversation very much, and I appreciate you taking the time last week to speak to me specially on that. And I have compiled some information, which I hope will be persuasive to you, that we have not been just idling our time away in the past several years under my chairmanship. If you wish, I would start back a few years and give you some examples.

SEN. WYDEN: Well, you can certainly do that. But I would like an answer to the question I asked. Tom Kean showed that he would stand up to the administration of his party and that he would take them on in the name of intelligence reform. I'd like to have even one or two concrete examples of where you are willing to stand up to the administration, the administration of your party, to try to bring about intelligence reform.

REP. GOSS: Senator, again, without regard to the question of the partisanship or the party, which I believe is not appropriate, as I also said last week, even in the construct of the oversight committees that we have in intelligence, so I tried to practice, as I said, nonpartisanship. I didn't always succeed, but I tried to practice it. And I think seven out of the eight bills I pushed through came through on a bipartisan basis. I did find it necessary to push very hard on the administration on some issues with regard to reform. One of them surely has to be the area of classification and declassification. We had quite an arm- wrestling discussion with the executive branch about that system, which I said last week is a broken system; it is a broken system. I tried very hard to do some reform with it. I actually worked with Senator Moynihan. We did pass a bill — bicameral, bipartisan — a first step. It wasn't as much as either of us wanted, but it was a good step and it is the law, and it has made it easier now on the declassification process.

A second area that I think is critically important to remind ourselves of is that the joint inquiry did turn out a report and it had a number of recommendations — 19, to be exact. And a good number of those have been enacted by the executive branch at this time. So we have made some strong progress. Now, the major one was the question of the director of national intelligence, or the national intelligence director — I don't want to get mixed up in the alphabet soup — but the kingpin, as it were, the coordinator, the person with the overall accountability for the whole community, which is a huge issue as we talk about stitching together a network. I think we did put out a good report, and I think that the fact today that the work we did in that joint inquiry is out there and is being so thoroughly addressed on the Hill and downtown now is a sign of success. I consider it a victory. We have gotten to a place where we had not gotten to, despite even the good efforts of the Aspin-Brown and other commissions like that, which pointed out pretty much the same thing; maybe we ought to consider this sort of stuff. So I think we have rolled the ball pretty well, sir.

SEN. WYDEN: The only — the only thing about your answer is that you're essentially citing — you said, for example, the executive branch made some changes after 9/11. Of course, no one disputes that. But after 9/11 — and you served on a commission — you could have introduced a piece of legislation that would have pushed us further and faster. It would have meant you would have had to take them on. And you didn't do it.

But let me move on to the question of Iraq. And obviously, on the basis of the pessimistic NIE that was reported in the press last week — and you obviously are not up on this, and these are just press reports; you can't get into all of the details there — but I'd like to ask you, with respect to Iraq, about your ability to brief the president objectively on the Iraq issue. As you know, you voted in support of the president's decision to go to war in Iraq. The conflict continues. Obviously, there are a variety of different perspectives on the current situation and of course also what the future portends for that troubled

part of the country — part of the world. As part of the CIA director's job, you're going to have to brief the president and the Cabinet on the situation in Iraq and how well or how poorly his policies are doing there, and whether the administration's goals are going to be achieved or not. Yet as a policymaker, as a member of the Congress, your decision to invade Iraq was a policy that you yourself supported and voted for. You voted for the policy to go into Iraq.

How are you going to handle matters regarding Iraq and other foreign policy matters that you supported while in the Congress? It's pretty hard for a CIA director to recuse themselves, but how can you tell us, given your past history, that you're going to give the president the unvarnished truth, despite having a stake in policies you voted for?

REP. GOSS: Senator, last week I said it. I will repeat again: I understand the difference in the jobs. To carry out my responsibilities as an elected member of Congress on behalf of the people of southwest Florida, Florida's 14 District, required one set of activities. This job, if I am confirmed, very clearly requires a very different set. And as I've explained, I totally understand the difference.

What I am going to do is try and improve the product that the policymakers get, so that the policy is as best informed as it can be by an unvarnished, straightforward intelligence product. That's my goal, if I am confirmed, to do that.

Now in answer to the chairman's questions when we started out, I pointed out that I do believe the DCI or whatever the equivalent role would be who is speaking to the president has that responsibility to be the bearer of all news, not good news or bad news, that comes legitimately out of a proper, professional job of creating intelligence product throughout the intelligence community.

Obviously, there will be dissents. Obviously, there will be different views. And I think all of the issues of the formula of what do we know, what don't we know, and what would we like to know need to be clearly presented to the policymakers, so that they can be well informed not only for the policy but the tasking that inevitably the community will be asked to do.

SEN. WYDEN: But what is your reaction to these press reports last week with respect to the bleak assessment in Iraq? You obviously can't get into all of the details, but I'd like to know. Do you think, on the basis of the information that you now have, which of course is not what's in an NIE, that these bleak reports are warranted?

REP. GOSS: Does which — I'm sorry?

SEN. WYDEN: The reports about the NIE last week and the situation in Iraq were pretty bleak and they painted a gloomy picture.

REP. GOSS: I'm sorry, I didn't understand.

SEN. WYDEN: You can't get into all of the details of something like that. But based on what you know, do you have any reason to question that NIE?

REP. GOSS: Senator, obviously I'm not going to comment on a product I haven't seen. I don't know anything about it. And I — frankly, I read some of the press reports and have heard some commentary on it, some opining about it. I would like to reserve judgment on that until I have a chance to see it myself.

What my interest is — would be in it is have we got the information we need for the policymakers, and if we haven't got the kind of information we need, how do we go about getting it for them? That's the job of the intelligence community.

SEN. WYDEN: My time has expired. But do you know anything that would indicate that that NIE of last week, that

painted a gloomy picture, is off base?

REP. GOSS: Senator, as I said, I don't know anything about that NIE. I read in the papers that there was one. I haven't seen it.

SEN. WYDEN: Thank you, Mr. Chairman. SEN. ROBERTS: I would now like to recognize the distinguished vice chairman for any comments he might wish to make.

SEN. JOHN ROCKEFELLER (D-WV): Thank you, Mr. Chairman. Good morning —

REP. GOSS: Good morning, sir.

SEN. ROCKEFELLER: — Congressman Goss. I want to continue a little bit on Ron Wyden's theme.

(To Chairman Roberts) Are we following the 10-minute rule?

SEN. ROBERTS: It's 10 minutes, sir. And you can have a Rockefeller theme or a Wyden theme, either one.

SEN. ROCKEFELLER: There was some of this questioning last week, and there was this question, "my record is my record." And I think that you could tell there was some that stirred up a sense of incompleteness or unforthcomingness, which was not inaccurate in the sense that "my record is my record," but we were looking for something more.

And as I think I also pointed out, independence, which to me is the most important part of all of this — it's not how much does Porter Goss know — that's a lot; what kind of man is Porter Goss — he's a good man; does he have experience with the CIA — he surely he does. It just comes down to telling truth to power, the independence. You indicated that you can separate your past life from your present life. I think you and I, in private conversations have indicated neither of us are particularly political. But I'm not sure it's as easy as that.

I have two volumes here that my staff collected, going back over 10 years of statements. They're thick, they're all political. They're not all about intelligence. They go back to some other things too, but most of them are about intelligence.

And I'm trying to get into your mind a little bit about how it's so easy for you, in a position where you have a — let's say, a powerful vice president, a powerful secretary of Defense, a powerful political adviser to the president, powerful people around him who are accustomed to exercising their power in powerful ways, that you just suddenly become a different person. And I need to understand that.

I've never been in that position where I've gone from I am who I am, and I can sort of say that because my life has had kind of a continuum to it, but yours is now potentially probably going to change quite radically. And so I need to know how you do that. Now, for example, in the case of Mohamed Atta and the famed non- trip to Prague, which the vice president is still referring to and talking about, proving therefore a relationship between 9/11 and — quote, "proving" — and the twin towers. That's stunning to me, shocking to me. I mean, I don't know why he says that, how he says that. It's not responsible.

Now, you're the head of the CIA, and he says that, but he says it very — he says it publicly, as he does. What do you do about that? You can answer, "Well, that's a policymaking question and not a matter for me." On the other hand, you are the head of the CIA and he is misusing intelligence, he's misleading the American people — in my view, in this senator's view

— about an instant which didn't happen which the FBI, the intelligence communities can prove, and which I believe you know also. What do you do with that? Do you go to him? Do you just leave it lie there?

REP. GOSS: Senator, you've asked a lot of questions, and they're very good ones and they're very hard ones. I'll try — if I can answer them in reverse order.

I think very definitely at any time that anybody with responsibility for delivering product to people in high places is concerned that that message is fully understood or what that product says — if there's doubt in their mind that it's incumbent upon that person in the intelligence community — whether it's the DCI or the NID or the DNI, or whatever it might be — to go to the customer and say, "I want to make sure you understand that this is the range of what we know, this is the range of what we don't know, this is the amount of credibility we give this," and put in the caveats if there's any doubt, if there's a need to go back and do that. I think that's appropriate.

I do not think it's appropriate for the DCI or the NID or anybody else in that kind of position to go and tell a policymaker how to use product. That would scare me a lot. If you had a very strong intelligence network with that intelligence person at the top who controlled the whole community, who was trying to say this is our product and this is how you must use it, I think that that would be a breach of the faith that we have in how the system is supposed to work. There has to be a clear delineation between delivering unvarnished product and allowing policymakers to do their job in the way they see fit, because as I have been told many, many times, policymakers do not make their decisions just based on the input from the intelligence top person alone — that they get their information from a number of sources, and they have a number of reasons for making judgments that quite often go beyond intelligence. And I would not want to try and affect that.

SEN. ROCKEFELLER: This isn't a question which would go beyond intelligence, would it? I mean the FBI and the CIA make their investigations, they look at ticket stubs and where people were. And in a sense, it really does come down to you, as head of the CIA, as opposed to what the vice president is saying to the nation. Now, you're not making policy if you go to him and you say, "Mr. Vice President, I just want you to know, as your director of the CIA, that what you're saying is not backed up by intelligence," and that — and that that's not making policy. It's simply saying to him that as a person in intelligence and director of intelligence that you think he's wrong.

REP. GOSS: Senator, if you — if I am confirmed and I am the person responsible for the intelligence product of the United States of America — all of those thousands of men and women doing all of that hard work, all of that investment of the taxpayers' money, all of the total machine, which is huge — and you bring that out, and I am the point of fusion to the decision-makers, I can assure you: I am going to defend that the product is pure and that the understanding is absolutely clear about that. And if there is a misunderstanding or if there's question about that, I would be very quick to point it out.

And if there were no intelligence —

SEN. ROCKEFELLER: To the vice president?

REP. GOSS: To anybody, sir. If there were no — if there were — if I had never — I had never myself — or caused to have the community present intelligence to anybody — and somebody went out, no matter who, and said, "This is what our intelligence community said," I would certainly find out and advise that person very quickly that that was not this intelligence community.

SEN. ROCKEFELLER: Would you correct the public record on the matter?

REP. GOSS: I would certainly judge the situation at the time. I am not going to let the credibility of our intelligence

community be in any way affected by the battles that swirl around on the question of the use of intelligence.

SEN. ROCKEFELLER: But then wouldn't that be the only way to make sure that that would happen, is by correcting the public record?

REP. GOSS: It would certainly be one of the ways. I'm not sure public is the only way. Sometimes private words work. Sometimes other approaches work. I think power of persuasion — sometime it's a good thing; sometimes there are just plain misunderstandings.

I don't believe, in something as important and as sensitive as intelligence can be and the machinery we put into it, that the first thing to do is to go public. I think the first thing to do is to understand are we damaging in any way our capabilities on how we handle this. And I always want to pay attention to capabilities in how we handle any problem like that. But I agree if somebody is abusing the product, and I think it's — it is important that the person who is in charge of that product, which would be the DCI or the subsequent equivalent of that, has a reason to go forward and say that's not what we said.

SEN. ROCKEFELLER: Congressman Goss, you indicated in our last meeting — and there were a number of statements given that you had made with respect to the Democrats are damaging intelligence. I think you recall my question about John Kerry, what you said about John Kerry, the article that you wrote about John Kerry. The — just help me understand how, you know, 10 years — this is 10 years of statements which are partisan — I think this is honest questioning, Porter Goss. I really do. I really do. It gets to the core of what the CIA has to be. How does one simply become a different person?

REP. GOSS: Mr. Vice Chairman, I think I got through my adult life without giving a partisan speech until about 1988 or 1989. I was forced to choose a party system in order to run under the system we have in this country, and I was very comfortable with it. Before then, for the great majority of my life, I don't believe I'd made a single partisan speech.

Of course, there have been times on partisan issues — I've been on the Rules Committee. As you very well know, we have a lot of partisan vote, and I've had to support those partisan votes in the Rules Committee.

But on the things that count, the things that are not just the interplay between the two agendas of the two parties, there's only one flag in the room, and it's that flag back there. And we all know that. National security is one of those areas. I'm very proud that for every year I brought my bill in on a bipartisan basis. Even this year, even though we did not vote it out of committee on a bipartisan basis, we got — I think five out of eight of the minority party voted for it on the floor.

So I have worked very hard in that direction. I have not always succeeded. As you know, in this town there tends to be an outside atmosphere that tries to cloud in and affect these things. If I didn't think I could do this, and give up public speaking — which I would be happy to do, frankly, and have enjoyed the past few weeks immensely not doing that — I wouldn't be sitting before you, because I feel just as strongly as you do about it, Senator.

SEN. ROCKEFELLER: Thank you, sir. My time is up.

SEN. ROBERTS: I think that I have about eight minutes remaining, or maybe seven, and then will be more than happy to recognize Senator DeWine.

In response to Senator Wyden's comments, I know that Governor Kean apparently, in your words, "stood up to the president" in regards to his efforts — or at least in your opinion — on the 9/11 commission. But basically, the administration in considering that I think has taken many forward steps in response to that. I am not sure that that was the

result of Governor Kean. I would point out that I think the 9/11 commission took 10 days to make 41 recommendations. The 41 recommendations were then encapsulated into a bill introduced by Senator McCain and Senator Lieberman. It was a marker bill. But basically, it was simply recommendations. It was like the Nike ad: Just do it. And so you'd have the recommendations, and if Congressman Goss would be the national intelligence director, it would simply be, "Here, Porter, here's the baby. You rock it." Because it isn't a comprehensive bill.

Right now the Government Affairs Committee has that jurisdiction and they're writing a bill. We have some suggestions for that bill. I would say that if there's an example that members of this committee wish to take to stand up to the president or, for that matter, anybody in their party in terms of leadership, they should get on the bill that I've introduced, along with seven other members. That is real reform. That is standing up. Now, that bill has been described as everything from bold and far-reaching to nutty and radical. So, in that regard, I'm not sure that that comparison is really the best one.

Let me just say that — asking staff — and I have not asked the witness for this — but in terms of what the congressman has done, in September he and Representative Harman noted that the House Committee on Intelligence has held no less than 62 hearings on reform just this year alone. Even before 9/11, he was thinking ahead on the key issues like biological warfare threats, the Department of Energy, counterintelligence, the NSA, legal authorities. On Iraq he has also been an informed and often a very cautious voice, as I have been, by the way. In September of last year — and many members of this committee — Mr. Goss and Mrs. Harman also laid out their concerns and suggested improvements needed for better intelligence collection.

I know that change comes in various forms, but I would think a step-by-step process, well thought out, would be the form I prefer, at least in regards to change in the intelligence community, as opposed to 41 recommendations that came out of a 10-day deliberation. And I'm not trying to perjure that effort; I think it's a great effort and has given us a catalyst for reform. I just happen to have here the joint inquiry recommendations. That was the investigation conducted by this committee and the House committee, and really was the blueprint or the foundation given to the 9/11 commission. And there are somewhere in the neighborhood here — I have 19 recommendations. One annual report, four one-time reports, three proposed reports. Seemed to me there was 21 long-range reports. That was in conjunction with Congresswoman Pelosi and the chairman of this committee at that time, Senator Graham, who is no shrinking violet in regards to recommending reform. I suggested at the time that they considered all these. By the way, these reports, some — about — I don't know — 12 of the mandatory reports had to be done by June. And Congressman Goss signed on to those.

We had some discussions about that. I said, you know, how in the world can anybody at Langley find any time to do anything if they had to do all of these 19 recommendations and 21 long-term steps and 12 mandatory reports by June? And he indicated that something must be done. And so basically he's the godfather, if you will, along with three others — Senator Shelby and Congresswoman Pelosi and also Senator Graham — of the basic foundation for the 9/11 report. So to say that he is not an agent of change or is against reform, I think, is a misnomer. Let me say that in terms of the use of intelligence, we had hoped to get to that in terms of phase two, but we find ourselves in the middle of 9/11 reform, and we find ourselves in this nomination, which we are very pleased to do. And one of the things that I want to do very badly, along with the vice chairman, is the postwar intelligence on — or the intelligence on postwar Iraq. Obviously, we are in the middle of an insurgency. You can call that a war if you want to. We have not had time to do that. But that would be the appropriate place to take a look, and we will look at the National Intelligence Estimate that has been brought up by Senator Wyden, and we intend to be very aggressive.

I don't know if raising issues of partisanship, subject to opinion, over 10 years is not being partisan as well. I hope to heck

nobody in 10 years takes all the stuff that comes out of my mouth in regards to whether it's partisan. I have a reputation around this place of being somewhat obstreperous. I think the Congressional Quarterly comes down and says I'm "pleasantly irascible." Well, I've been two hours in traffic this morning, and I'm very irascible! And so consequently, if

they took everything that I have said over 20 years of service and put it in context and said, "Roberts is this partisan" — I remember standing up, shaking a finger at Tip O'Neill, in regards to the speaker of the House. He told me to take off my "Thou shalt not steal" button when we thought that the other side had stolen an election. Was that partisan? You're darn right.

If people don't understand that this is a partisan outfit in the Congress, they're either very naive or very disingenuous or have their head lodged firmly where there is no sun or light. (Laughter.)

And so consequently, I hope to heck that after 10 years, somebody could make a statement and then not pick and choose and say that's partisan. Is that partisan? I think it's partisan from the other side, and I think it's time to quit this. The gentleman has indicated he's independent, he will be nonpartisan and he will be aggressive. I think sometimes you have to take a man at his word. Does this mean that no member of the Senate or House, in terms of 10 years going back over statements, can serve in any — any kind of duty in this place?

I'm sorry my time's not up. (Laughter.) But at any rate, I can name you 10 people in the House, probably 25 people in the House — I had the privilege of serving there for 15 years with this gentleman — who are very partisan. I can name you people in the Senate who I think are very partisan. This man is not part of that posse. He doesn't ride with the partisan posse. That's my considered opinion after knowing him for 16 years and working with him on a weekly basis ever since I have had the privilege of being on this committee. Senator DeWine.

SEN. MIKE DEWINE (R-OH): Well, I get to follow up on that. Good. (Laughter.) Congressman Goss, good to see you again.

REP. GOSS: Good morning, Senator.

SEN. DEWINE: Good to be back.

For the record, I might add that you and I had the privilege of a bill which certainly not a partisan bill at all, and that was the Ricky Ray bill —

REP. GOSS: Yes, sir.

SEN. DEWINE: — where I think did some good for some folks who had been hurt by the government, and certainly had been hurt, who acquired AIDS because of the blood supply. And I certainly enjoyed working with you on that, and that certainly was an issue that had nothing to do with politics at all, but certainly had everything to do about trying to help people. And you were able to lead the charge on that, and I thank you and salute you for that.

REP. GOSS: Thank you, sir.

SEN. DEWINE: Let me ask this question. As a — those of us on this committee — and you on the House committee — really were consumers of intelligence, as is the executive branch. It strikes me that we are many times in the position of wanting to have a consensus from the intelligence community. But it seems to me also that we also have the need to see where the dissent is coming from in the intelligence community, if there is dissent. And I bring this up because we have in front of us a number of proposals that seem to consolidate the power. And I wonder if there might be a tendency, if any of these proposals are adopted, for the dissent to be stifled, or at least for the ultimate consumer never to see the dissent?

For example, INR, I've noticed a few times has had a different opinion. At least on one occasion I noticed they were right;

everybody else seemed to be wrong. Do you want to comment on that and just how we make sure that as we do these reforms that we make sure that the consumer — the president, the Congress — at least make sure — when we see the consensus, that we at least make sure that we still have somebody out there who is independent and getting an alternative view, and that we also see that alternative view?

REP. GOSS: Yes, sir, I agree with that very much. I think there is a system in place now that has not worked as well as it should have, or perhaps as it could have. I don't know the answer, whether it's a "should" or "could," but it has not worked as well.

I believe that dissent is a critical part of the process. You want the differing opinions, you want the competitive analysis, you want to avoid groupthink — things that you've pointed out very well in this committee's study, I think now recognized by the DI in a paper that I understand you all are going to get. I mentioned it last week. It's a study that's worth taking a quick look at. I do believe that it's very important to have in the reorganization, however it is done, the understanding that the 15 elements within the intelligence community operate as elements but also as part of a larger whole, and that they have a responsibility not to only — unto themselves, for their own agencies — the FBI, INR, whatever it may be — but to participate into the network as a whole. That means we're going to have to take some mechanical steps, like co-location and things like that.

We've had some recent disputes; they are continuing to happen. This process is not going as well as I would like it to go. There is room for improvement. I will certainly say that. And part of the reorganization that you all decide is going to color very much what it looks like. But I think we all understand we have to do it. I think when you have dissent you have to understand why the opposing opinions or views were rejected. I think it's not just simply it was a vote of three to two; I think it's this is because when we added the pluses and minuses on the yellow sheet we got three pluses and two minuses, and these were the pluses and these were the minuses. But what we don't know is this, and if we knew that, that might tip it. I think that enrichment process is very important.

Now, not every customer is going to want to know that, but every customer needs to be able to get to that if they do want to know it. So I would suggest that it will work two ways: if you, as a customer on this committee, want to go behind what the finished product is that you read or what the daily SEIB is or anything else, and want to get into that, then I suggest you have the right to do that and should do that, and that the community has the responsibility to come forward and say look, this is how we weighed it.

SEN. DEWINE: It seems also to me, though, that as the report is prepared there is some responsibility in the intelligence community to give us that alternative view even if we don't ask for it, because many times —

REP. GOSS: Yes, sir —

SEN. DEWINE: Many times we're not going to — we don't know — you don't know the question to ask sometimes. You don't know if there was a minority view unless someone says it.

REP. GOSS: That's absolutely correct, sir. One of the problems that we have is a system now of trying to protect our sources and methods and sensitive matters where we use a system that doesn't work very well. It's — you know, how much credibility can we give this? Do we have confidence in it? Well, what does high confidence mean? If you say high confidence four times and it's only right three times, turns out to be only right three times, then the next time you hear high confidence, it's not quite that high.

So I think we do need a different way of telling our consumers, and I agree that those dissents are important to point out. I

mean, some people say footnotes do it. Actually, footnotes don't do it. Most people don't have the time.

SEN. DEWINE: Let me ask another question somewhat related to this, and that is a problem that we have seen; and that is, when the analysts are so separated from their sources that the — they do not have the ability — and we've seen this when some cases were — mistakes were made — they don't have the full ability to analyze or to judge how good the sources are. And we've seen several specific cases where they did not really know that, and there was this wall.

Now I understand sometimes why there is a wall there. You have to protect your sources. How do you deal with that problem and still — how do you protect the source but at the same time make sure the analyst, who is going to ultimately be giving us the information or the president of the United States the information, can make a fair judgment about how good the quality of the source is, so he or she can make that good opinion to us?

REP. GOSS: Senator, you've correctly described a problem which we obviously need to fix rather quickly. And there has been — there have been efforts in the past to try and get the DI and the DO to use one agency's area, working more closely together. There is an esprit de corps in both of those elements, and it's a good thing to have, but it's got to work more closely.

There are a number of ways that suggested — the white paper that the DI has put out talks about a number of things. If there were resources, we would like to put some of our analysts out in the field, working with some of the case officers, so that they can understand better what the problems are out there and so the case officer can understand better what it is the analyst absolutely needs. But unfortunately it's not just — the problem doesn't just lie there. It lies — it goes beyond that, that we do not have analysts talking to analysts, as opposed to analysts talking to collectors. We find analysts in one agency not talking to analysts in another agency.

Now hopefully TTIC, in terms of terrorism, is going to deal with that. But that's only terrorism. There are other problems out there. There's WMD problems. There's narco-trafficking problems. There's racketeering problems. There's political intelligence, all of those things that you need to deal with, which aren't covered in the TTIC, necessarily. So I think that the area you have focused on is the area that is broken in the analytical part and that it does need attention. And we have some ideas, and the people involved in that are aware that we are looking for ideas. So I think we have a will to do a correction, and I believe you will see progress. If I'm confirmed, I assure you, you have my word on that.

SEN. DEWINE: As you're aware, we passed a few years ago the Nazi war crimes bill, which called on the CIA to provide additional new information, to go back in their files, open up their files. That has worked fairly well. I don't want to get into great detail about this today. But there is still information that needs to come out, and I would just like your assurance today that — I was the author of that bill here in the Senate, and I would like your assurance today that you will continue to work with us on that.

REP. GOSS: Yes, sir. Of course I will continue to work with you on that, if I'm confirmed.

SEN. DEWINE: I appreciate that. Thank you.

Thank you, Mr. Chairman.

SEN. ROBERTS: Senator Hagel.

SEN. CHARLES HAGEL (R-NE): Mr. Chairman, thank you. I have no questions for Mr. Goss. I will just add one comment. I think the president has chosen wisely in his nomination of Mr. Goss, but more to the point, I think he has

placed a very appropriate amount of confidence and trust in Mr. Goss. I enthusiastically support Mr. Goss's nomination and look forward to our vote and getting him to the floor of the Senate and getting him to work.

Mr. Goss, thank you.

REP. GOSS: Thank you, Senator. I appreciate that very much.

SEN. ROBERTS: Senator Hatch.

SEN. ORRIN HATCH (R-UT): Mr. Chairman, I echo those sentiments. I feel exactly the same. I've watched Congressman Goss for years. I'm aware of how much he did in a bipartisan way to make the committee work well over in the House. And I'll reserve the balance of my time.

REP. GOSS: Thank you, Senator.

SEN. ROBERTS: Senator Levin.

SEN. CARL LEVIN (D-MI): Thank you, Mr. Chairman. I think the most important quality that I'm looking for in a director of Central Intelligence is somebody who will reliably provide objective intelligence assessments that are independent of the policy and the political agenda of the White House. And, frankly, we haven't had that lately in George Tenet. Too often his public statements were exaggerated, shaded, distorted to support policy positions of the White House. Whether you agree with that or not, there's a 500-page report of this committee that identifies the errors, omissions, exaggerations of the CIA. Phase two will get to the question of what the impact of those were on the policymakers and the policymakers' statements themselves.

But I think even you agree that there were significant failures in the area of intelligence prior to both Iraq and to 9/11 — although you've hesitated to use the word "failure" in the past. Repeatedly, I think at the last hearing you were willing to acknowledge that there were significant failures, intelligence failures. Is that a fair statement?

REP. GOSS: Senator, I said in response to your question — I believe it was your question — that I agree that there are failures involved in intelligence and that require fixing. And that is one of the reasons why I seek your confirmation, sir.

SEN. LEVIN: And that these significant failures that you're referring to were failures prior to Iraq and to 9/11?

REP. GOSS: Yes, sir. There were shortcomings very definitely in both areas. And as I said last week, I believe your report on weapons of mass destruction, your 500-and-some-page report, much of which, sadly, was redacted, was extremely helpful and very informative to me.

SEN. LEVIN: Was it troubling to you?

REP. GOSS: Yes, sir, in the sense that the depth of some of the analytical problems is great. I agree with your group think. And I would point out — and again —

SEN. LEVIN: You agree with our group think?

REP. GOSS: Your group think. No, sir, you did have a consensus product, which I'm pleased that the chairman was able to

deliver. But I don't suggest that you are the one doing group think. I suggest that the group think problem — the failure from competitive analysis — Ms. Harman and I actually wrote a letter in September of '03, I think, which I'm sure you have — about four pages or so — which is pretty tough. And it went to some of the same areas. So I feel that the work that you've done and, frankly, the work that I hope the HPSCI is going to continue to do — and I have every reason to believe they will deliver a report — will follow up on that interim letter that Ms. Harman and I wrote with regard to WMD.

SEN. LEVIN: One part of that letter said something similar to what you said this morning, which is that where public officials cite intelligence incorrectly, the intelligence community has a responsibility to go back to that policymaker and make clear that the public statement mischaracterized the available intelligence. You, in a conversation with Senator Rockefeller, seemed to avoid committing yourself to correcting public misstatements by public officials relative to intelligence in a public way so that the public misinformation could be corrected. You seemed to avoid saying that public corrections were appropriate. You say you'd like other approaches first. You want to personally talk to that person, and so forth.

But I want to — and where there are very public misstatements about what the intelligence provides, it's the public that's been misinformed, and a private comment to a policymaker doesn't correct that public misinformation, of which there was a vast amount prior to the Iraq war.

But let me ask you this specific question. Can you give us some examples of where, in your judgment, policymakers, prior to the Iraq war, mischaracterized the available intelligence? Would you — for instance, were the Atta comments, were the meeting in Prague comments, were the comments relative to uranium, were the comments relative to the use of aluminum tubes, the vast number of comments characterizing intelligence that were made by public officials which went beyond the intelligence. Can you give us an example where you believe that the public statements of policymakers mischaracterized the available intelligence prior to the Iraq war?

REP. GOSS: Senator, I don't believe any public official in a position of responsibility has deliberately mischaracterized or misled anybody in the United States or anyplace else.

SEN. LEVIN: That wasn't my question.

REP. GOSS: You asked me if I could give you an example. I can't —

SEN. LEVIN: Example — I didn't use the word deliberately or intentionally or purposefully or willfully. I just simply said mischaracterized the intelligence.

REP. GOSS: I don't believe —

SEN. LEVIN: I mean, we're looking for independence here. We got —

REP. GOSS: Well, I understand —

SEN. LEVIN: We got a lot of examples where intelligence was mischaracterized, not necessarily intentionally — that's a very difficult thing to assess — but where it was exaggerated. There's many examples which have been out there in the public, and I'm going to go through a few of them with you, if you'd like. I just want to know whether you're willing to acknowledge that intelligence — can you give us any examples where in your opinion this administration, or any of our policymakers, mischaracterized, exaggerated the underlying intelligence? I'm looking for independence. Can you give us an example to show that you are willing to challenge the policymakers, that you are willing to speak truth to power?

REP. GOSS: Senator, I've been a policymaker for the past several years. I don't know all the intricacies of how the decisions have been made in the executive branch. I have had a perch from the oversight committee of HPSCI to look at intelligence. The intelligence problems that we have looked at lead to questions about have there been sufficient caveats to warn the users of the product. That was a question that Ms. Harman and I had a disagreement on. It's certainly a question that this committee has studied very intently and has come up with some conclusions about the difference between the NIE and the white paper and why those words — caveats were dropped.

It is very clear that there are different needs to present intelligence scenarios, which are, admittedly, scenarios; they are best estimates, they are not hard fact. If you're a warfighter, you want a worst-case scenario; you want to know what is the worst to expect to protect your troops. If you are perhaps in the diplomatic corps, you do not necessarily want the worst-case scenario. So, if you're asking me do I know of anybody who has deliberately mischaracterized or exaggerated intelligence, I don't believe that's the case.

SEN. LEVIN: That's not what I asked you, but you're again responding to a question that wasn't asked. Let me give you an example. December 9th, 2001. Vice President Cheney said that it's "been pretty well confirmed" that 9/11 al Qaeda hijacker Mohamed Atta did go to Prague, and "he did meet with a senior official of the Iraqi intelligence service in Czechoslovakia last April, several months before the attack." Now that went significantly beyond what the underlying intelligence said.

Do you agree —

REP. GOSS: I —

SEN. LEVIN: Do you agree that went beyond the underlying intelligence? It's all been declassified now.

REP. GOSS: Senator, I don't believe it all has been declassified now.

SEN. LEVIN: Well, let me read you the declassification. "No credible information that the meeting occurred." That's declassified.

REP. GOSS: That's declassified. Yes, sir. And I have no reason to question that summation. What I don't know is what is behind it. Declassified —

SEN. LEVIN: Well, you've read — haven't you read the material on the Atta meeting as chairman of the Intelligence Committee?

REP. GOSS: Yes, sir, I have. And that's —

SEN. LEVIN: I'm just asking you a very simple question. REP. GOSS: Yes.

SEN. LEVIN: Do you believe the statement that was made on December 9th, 2001, by Vice President Cheney, that it's "been pretty well confirmed" that that meeting took place, was an accurate reflection of intelligence that existed at the time, that it's "been pretty well confirmed"? Do you — I'm just asking you a direct question.

REP. GOSS: Is the statement itself, that it was "pretty well confirmed" — if that's your question — is I don't think it was

as

well confirmed perhaps as the vice president thought. But I don't know what was in the vice president's mind, and I've certainly never talked with him about this. So I don't know how we came to that conclusion.

SEN. LEVIN: Is that a kind of statement that's worthy of correction when it's made publicly?

REP. GOSS: I would suggest that it probably is something — in that case it's a hypothetical, but if I were confronted with that kind of a hypothetical, where I felt that a policymaker was getting beyond what the intelligence said, I think I would advise the person involved. I do believe that would be a case that would put me into action, if I were confirmed. Yes, sir.

SEN. LEVIN: Thank you, Mr. Chairman.

SEN. ROBERTS: Senator Rockefeller.

SEN. WYDEN: (Off mike.)

SEN. ROBERTS: Oh, I'm sorry. Well, I had you first and then Senator Wyden, but we can reverse that. Senator Wyden.

SEN. WYDEN: Thank you. Congressman Goss, in your view, what was the most important recommendation of the congressional joint inquiry on 9/11?

REP. GOSS: The most important was probably the first one, sir, to get on with the job of trying to find a way to create a better management of the intelligence community — we suggested through a DNI.

SEN. WYDEN: Through the DNI.

REP. GOSS: Yes, sir.

SEN. WYDEN: And did you introduce a piece of legislation to do that?

REP. GOSS: Directly? I don't believe I did, sir.

SEN. WYDEN: Well, I guess it makes my point. That would be an area where somebody could aggressively push for change and aggressively be a change agent, and you passed on it. I was frankly —

REP. GOSS: Well —

SEN. WYDEN: If I could finish, because I want to give you another chance to answer it. I was going to be charitable and say all right, the congressional joint inquiry is completed in December of 2002. You put in your bill in 2004. It didn't really do what the 9/11 commission talked about, but at least I think you were moving in that direction. So it took you a year and a half — a year and a half — to really do anything on the subject.

So how does someone like myself, who, A, likes you personally; B, I'm willing to give you the benefit of the doubt on the question of partisanship and objectivity, but I'm still looking for somebody who's aggressively going to be a change agent.

And here is an example where you had an opportunity to do it — you're the chairman — and it just doesn't seem to be done. So, if you could respond to me on that.

REP. GOSS: Senator, you asked me if I had directly put in a piece of legislation related to the number one recommendation of the Joint Inquiry. The answer is I did not put in directly, as I said. As you did properly point out, I did work to try and find the right moment, the right way, the right combination to go forward to get that job done in another bill, which I did, as you properly pointed out, introduced in our reform bill, which was an announced work product of the HPSCI for this year. That statement was made I believe at the — probably at the end of '03, sir. I'm not sure exactly. It would be in the HPSCI records. But it was an organized way to go after a problem.

I did this, frankly, after consulting with this committee too, the leadership of this committee, about how we were going to proceed, and with the former chairman, Chairman Graham — Senator Graham. And we did sort of take stock at one point; we had a meeting to discuss where we were on the 9/11 recommendations. It was my judgment — and I think it's been borne out — that having the horsepower and the additional awareness and understanding of the work product of the 9/11 commission that we did set up, and was specific action taken by me and our committee in the intelligence authorization, which I am very proud, to come up with a good committee, the Hamilton-Kean committee and the people who served on it, the commissioners who served on it, who have done a fabulous job of keeping the issue of reorganization before the public, before the Hill, before the administration, before the world, I guess. And I think that was a pretty good way to proceed. And in the annals of getting things done around here, speaking as a congressman, I tend to feel moving in a year and a half to get where we've gotten is pretty good speed.

I am committed to reorganization. We're going to have it. Once that reorganization is in place, sir, then it will be a little easier

to do some of the reform you're asking me to commit to. I commit to improving the product. That is going to take reform. It's a little hard for me to be specific about what precisely I am going to do if I don't know exactly what the blueprints are of the network. So I am asking, if I am confirmed, for a close working cooperation, positive, leaning-forward, complementary efforts by the oversight committees and the community to make the reform happen and to make the reorganization happen.

SEN. WYDEN: I'm going to move on, Congressman.

REP. GOSS: Yes, sir.

SEN. WYDEN: But my concern remains, because I have asked you for example after example. I mean, the very first question at the first hearing, you said, well gosh, there wasn't a constituency for the subject; it was hard to get attention. And I said well you're the chairman, you've got the bully pulpit.

And so in example after example, I will tell you, I remain concerned about your willingness to lead. And I'm going to ask you about some other areas where again I think you'll have an opportunity to lead, if you're so inclined.

The president's proposal to instruct the — to restructure the intelligence community includes a provision that wasn't recommended by the commission, and I'm not sure many people are aware of it. It seeks to give the president an exemption from some existing laws on oversight of the intelligence community. And these are the laws requiring that the Congress be kept — and I'll quote here — "fully and currently informed, especially about covert action operations." The president is proposing that explicit language, as stated, that takes the carefully worked-out limitations and oversight requirements and only applies them to the extent consistent with the constitutional authority of the president. Now given

the very broad interpretation of the president's authority that we saw in these memos with respect to torture — the torture memos that finally came to light this summer, in which the Justice Department lawyers argued, in effect, that the president didn't really have to comply with the torture laws — what assurance does this committee have that language like that advocated by the president wouldn't be used to undermine the congressional oversight that the 9/11 commission says needs to be strengthened?

REP. GOSS: Senator, is that the amendment to 12333 you're speaking to? Is that where that language is?

SEN. WYDEN: I'm talking about the language that the president has proposed to give the administration exemptions from the laws with respect to informing the Congress.

REP. GOSS: Is that a law that is —

SEN. WYDEN: It's the draft reform bill.

REP. GOSS: It's the draft reform bill.

SEN. WYDEN: Right.

REP. GOSS: Senator, that's going to be your decision on how that goes, how you want to handle that.

SEN. WYDEN: But I want to know if you're for that, because it seems to me this puts in a huge loophole and a loophole that goes in the exact opposite direction of what the 9/11 commission called for. They want Congress to do a better job of oversight. The president in his draft bill has now proposed going the other way and giving Congress fewer tools.

REP. GOSS: I believe very strongly, Senator, that there should be strong congressional oversight. I have actually had a hearing as — at the point of my transition out of the committee. I did get instructive testimony from Governor Kean and from Congressman Hamilton on that subject. And it's actually very important, and I'm very glad you asked the question, because their comment went very much to the issue of the dysfunction of oversight as it is now, and the need to fix it. And they both went to some pains to say they were not picking on your committee, on this committee, or on HPSCI, on our committee, and they were not comments about us. They were comments about the system, basically the jurisdictional problem.

And I think that the thing I take away from that, in supporting the 9/11 recommendations for strong oversight, is that Congressman Hamilton made it very clear — and I think his words to me were: Look, if you don't get the oversight piece done, if Congress — this is when I was a congressman — he said: If you don't get the oversight piece done, none of the rest of it's going to work either. And that's why I make the strong statement about a forward, willing, complementary relationship between the director of national intelligence and the oversight committees. I certainly believe that we need to have the safeguard for the American people of strong oversight, and I do not believe it should be nullified by any shortcuts that have not passed muster with the Congress.

SEN. WYDEN: Can you envision any situation that justifies withholding oversight information from this committee for an indefinite period of time?

REP. GOSS: I don't believe I can think of any right now. But I would point out that there needs to be work on the statutory requirement — when you say "this committee" — on the statutory requirement on the gang of eight, and which gang of eight we're talking about. It turns out there are more than one gang of eight, as I think you know, which has confounded us

a number of times. But there is one in statute, and that would, therefore, preclude some types of information being shared under the notification process with all members of the committee. So I don't want to mislead you in any way on that.

SEN. WYDEN: Just so we're clear, because you mentioned Governor Kean, Governor Kean did not make any recommendation at all with respect to congressional oversight along the lines of what's in the president's draft bill, and that's why I'm so troubled by it. Let me, if I might, turn to the question of the Patriot Act with you. And as you know, it will be expiring in December 2005. Do you support the Patriot Act in its current form? And Senator Murkowski and I have introduced a bipartisan bill to make changes in this area, and I would like to know your position generally with respect to the Patriot Act. And then I have a couple of specific questions about it.

REP. GOSS: Senator, when I was a member of Congress and the Patriot Act was before us, I supported it, and I stated my reasons in the record for doing that. I think it has been useful. I think we have testimony in this report about the breaking down of the wall and in other areas. You asked me about future legislation or pending legislation. Obviously, I'm going to respectfully demure from that. The job I seek has no business making comment on legislation that you all might be considering, in my view, if it comes to policy. And I don't think I want to try to be wearing two hats at the same time, sir.

SEN. WYDEN: Mr. Chairman, could I ask one additional question on this point? It will be very brief.

SEN. ROBERTS: Certainly.

SEN. WYDEN: Thank you, Mr. Chairman. Do you know of instances, Congressman Goss, where the agency needed the library lending records provision? This has been very controversial, as you know; librarians up in arms about this across the country. Do you know instances where the agency needed that provision in its current form?

REP. GOSS: Senator, we are in open hearing, and I can tell you the answer is yes.

SEN. WYDEN: Are you open — the chairman has been very gracious. Are you open to working with myself and Senator Murkowski — as I say, we had a bipartisan bill — on looking at changes to parts of the Patriot Act?

REP. GOSS: Yes, sir, of course. If confirmed, in the appropriate role of the DCI, not as a member of Congress.

SEN. WYDEN: Mr. Chairman, you have been very kind. I would like the nominee, either when we are in closed session or in another arrangement that you and Senator Rockefeller put together, to have him furnish to us the matter that he felt needed to be kept secret this morning with respect to the library lending records.

SEN. ROBERTS: I think we can do that without having a closed hearing. And I'll be more than happy to address the senator's request. Has the senator concluded?

SEN. WYDEN: My time was expired, and you've been very gracious.

SEN. ROBERTS: Senator Rockefeller.

Senator Rockefeller.

SEN. ROCKEFELLER: Thank you, Mr. Chairman.

Congressman Goss, you discussed your intelligence community reform proposal at our last meeting. I didn't visit that with you. But there's one particular provision that troubles me, and perhaps you can lift me from those troubles. Your June bill, as I understand it, would amend the current ban against the CIA exercising police subpoena law enforcement powers inside the United States by adding the language, quote, "except as otherwise permitted by law or as directed by the president." I don't have any problem obviously with the first part, but the second phrase, "or as directed by the president," has been of concern to me and to some others who believe it would give the president the power to issue secret findings during the CIA — which would then direct the CIA to conduct covert operations inside the United States, something which you know is currently prohibited.

Did I get that wrong? Does your legislation place any limitations on what the president could do to direct the CIA to do intelligence or gathering inside the United States? That's traditionally an FBI thing. Under your proposal, what guidelines would the CIA have with respect to that matter? Lift that burden from me, if you can, sir.

REP. GOSS: Mr. Vice Chairman, you did not get it wrong. The reason, as I stated last week, that that provision is in that bill is because we need to address the issue of the Patriot Act and the whole question of the balance between protection and privacy in this country. This report and others — a lot of the conversation is going on now — and a lot of the proposals that are out there for consideration legislatively tend to blur, some more than others, the line between the national foreign — and I emphasize foreign intelligence program, which is what the '47 act, as you very well know, sets up — and it precludes domestic spying; Americans don't spy on Americans. It's sort of that area.

We are now for the first time blurring that line and talking about — because the terrorist beds are thought to be here, nests of them and so forth — ways to find those people without spying on Americans or guests in this country. And so we need to craft some clarity for what is replacing the blurred line. I put that provision in there in order to encourage that debate. I gave a number of options that might want to be considered. You have named them properly. I have never suggested that there should be any absence of oversight in that whatsoever. I'm not in any way suggesting a change in the oversight, so I'm not saying that the president could do something unilaterally. What I am saying is we need to understand at what levels we're going to allow

things to happen in the United States, who's going to be in charge, who's going to be accountable? And I think that's very important, not only from the point of view of the efficiency of getting the terrorists who are here and disrupting them before they can do dangerous things, but just plain for the whole question of the protection of our operatives in the field who are charged to do this work so they don't find themselves with some huge liability because they violated a civil liberties provision at the same time they've stopped a terrible thing from happening. I think that's the responsibility of the legislative branch of government to deal with, and that's why that issue is there. There's nothing sinister in it.

As I said last week, I totally believe the Central Intelligence Agency should not — repeat, not — have arrest power in the United States. That's — I have argued that for years. It would ruin the ability of this country to have a CIA if it did have arrest powers, in my view. That's one of the things that distinguishes this democracy from any other in the world.

SEN. ROCKEFELLER: And it's interesting, because that does somewhat help me, because the 9/11 commission does suggest an approach which I think will cause certain controversies, but with which I agree: that there needs to be a kind of transnational approach to a lot of things, including intelligence, on our part. And so what you're saying is that you just simply did that so you get that debate going.

REP. GOSS: Yes, sir. I truly hope that debate is enjoined.

SEN. ROCKEFELLER: In October 2nd of 2003, the House Intelligence Committee received a highly classified briefing from David Kay. He was the special adviser of the DCI on Iraq weapons of mass destruction, as you know. And he

updated your committee on the progress of the Iraq Survey Group's search for evidence of weapons of mass destruction in Iraq. Following the briefing, you issued a press statement that stated, "From the information uncovered to date" — that's to be noted — "it is clear that the threat Saddam presented to the region and to the world was real, growing and grave. Further, the brief highlights the fact that the intelligence regarding Iraq's WMD was properly used and is being properly used today. There continues to be no indication that anyone was misled by the intelligence analysis."

That's the end of your quote.

The Senate Intelligence Committee received the same briefing from Dr. Kay as your committee did, and I'm puzzled about the basis for your public statements. And I come back then, therefore, to information uncovered to date by the Iraq Survey Group — made it clear that Saddam Hussein represented a real, grave, growing threat to the United States and the rest of the world.

I do not recall Dr. Kay's briefing in that highlight. And I would be interested if you could give me your reading on that.

REP. GOSS: Senator, I think it's pretty simply that Dr. Kay said: We — this is unfinished business. We don't know where we're going. We do know for sure that we need to keep looking. I believe Dr. Kay said the right decision was made to go to war. I believe that Dr. Kay said that Saddam was a very dangerous person. I believe Dr. Kay said we don't know what happened to the weapons. And I believe that our concern about the gravity of the problem is, we still don't

know what happened about the weapons. I think that's generally the context I made those remarks (sic).

SEN. ROCKEFELLER: But he didn't — you're not suggesting that he at some point suggested that he was on the trail of something?

REP. GOSS: No, sir. He was doing an investigation. In fact, it got turned over to Mr. Duelfer, and as I understand, Mr. Duelfer is going to be making a report soon.

That, frankly, was one of the things we wished to include in our WMD report in — on the HPSCI side, which I no longer can speak for, obviously. But we had hoped to have not only the work of the commission and your work but the work of Mr. Duelfer to add, to try and give a more accurate and up-to-date snapshot this fall of where we actually were on the review of the WMD matter.

SEN. ROCKEFELLER: Just one final question from me. And I asked you this at our last meeting, and that was about the HPSCI report which did not actually come forth. And we discussed what we called the collection, the analysis, the production, the dissemination of intelligence.

And then I think — and I may be wrong, in which case you need to correct me — that we also talked about the use of, or misuse of, whatever. And in the Senate rules about our committee, that is a part of what we study, and it goes across all of government. There's no part of government which is untouched by that. And for a particular set of reasons, we didn't do that. And as the chairman has indicated, we're going to go ahead and do that, and I hope we will, because I think it's kind of the ballgame. But you indicated that the House rules did not have that flexibility. We looked at them and couldn't find that. And therefore, I'm wondering as to whether or not you discussed that all, whether you ever planned to discuss that. We didn't because of a particular reason, but I'm not sure if that applies to you.

REP. GOSS: Sir, actually we did rewrite the rules of the House a couple of years ago, and what we tried to do was point out where the jurisdiction of the HPSCI was in the House. And it was basically anything to do with intelligence, with the

intelligence community, the process of how it works — those types of things, and it stopped very abruptly at that point. And we have other committees of jurisdiction who wanted to be clear where that line was, and I think that we came up with a rule in the House that worked pretty well. So I was pretty careful about observing that we not get into other people's business on that. And it didn't go entirely smoothly. There were a lot of people who came to our committee who felt that there were things they needed to know that we claimed was intelligence, part of the intelligence community product. But it's worked pretty well.

Now, within the committee itself, you are asking me did we have some conversation about this? The answer is yes, sir. I have got to be very candid and say I'm not entitled to talk about what goes on in a closed session. My other colleagues would rightfully be upset if I did. I can simply say what I said to you last week in the hearing, which I think is not violating any confidences of committee work, and that is as the chairman, I made the judgment that we were responsible for the product, not the use of the product. But I did clarify and say if I felt the product had been misunderstood or there were need for the people who delivered the product to have further conversation for the users of the product, that should happen. But we didn't go that way in our WMD. We went to the question of sufficiency because we knew you were going that way here. I made the point to the committee, and they seemed to agree with it — at least some members did, because this is what we did — that we would study the sufficiency; that when you ask the question of why didn't we know this, and you got the answer is there weren't enough collectors, and then you ask the next question, well, why weren't there enough collectors; well, because there wasn't enough money; why wasn't there enough money? When you start asking those "why" questions and peeling back this onion, you come to some bedrock sufficiency questions, and those are the questions which I hope the HPSCI report on WMD will take up. Again, I can no longer speak for them, but that would be my hope as the former chairman.

SEN. ROCKEFELLER: If the chairman will indulge me just to read this particular part of what governs HPSCI.

The collection, analysis, production, dissemination or use of information that relates to a foreign or government, et cetera, et cetera. So it doesn't appear, again, to be precluded. It was just that you were going to wait upon what we did.

REP. GOSS: Senator, primarily I interpreted the HPSCI role to be a capabilities committee. It's a permanent select committee in the House, as you know. It is a capabilities committee. It is not a policy committee, and International Relations does that over there.

I tried to stay out of there. Now obviously we bridge to other committees to expedite our jurisdictional problems. I would agree that there's no prohibition against it in that language, but I can tell you from the practice and from my own design, I don't believe that once we build the car and deliver it, we should be telling the operator exactly where and how to drive it, for a very simple reason. I think it's a little scary if the person in charge of intelligence is trying to inform policy by telling the policymakers how to use the product.

SEN. ROCKEFELLER: This — the question is not you as CIA director, let's say; this is an oversight function.

REP. GOSS: Yes, sir. As an oversight function.

SEN. ROCKEFELLER: The use of intelligence would seem to me to be highly relevant with respect to the buildup to this Iraq war.

REP. GOSS: I would interpret that to mean having the ability to provide intelligence for use for our policymakers.

SEN. ROCKEFELLER: Thank you, Mr. Chairman.

REP. GOSS: I believe the insufficiency of intelligence has been a big problem, as you've heard me say a number of times. Thank you, Senator.

SEN. ROCKEFELLER: My time is up.

SEN. ROBERTS: Senator Hatch.

SEN. HATCH: I'll reserve the balance of my time. Hopefully this is the last round.

SEN. ROBERTS: I think you have eight minutes from the previous round and now 10 minutes, so you'd have 18 minutes that has been reserved.

SEN. HATCH: I'll reserve it.

SEN. ROBERTS: (Chuckles.)

Senator Levin.

SEN. LEVIN: Thank you, Mr. Chairman.

Congressman Goss, I sent you some documents over the weekend, relative to the operations of the office of Undersecretary of Defense for Policy Doug Feith, and I don't know whether you've had an opportunity to read those documents or not. Did you receive them, and did you have the opportunity to read them?

REP. GOSS: Senator, thank you. I did receive the documents over the weekend, with one exception. And I did review them. Some I read very closely — extremely closely, in fact.

One I did not receive. And it was just because it's a classified document, and I got it over the weekend. I have no storage facilities.

SEN. LEVIN: Right.

REP. GOSS: And it was the letter, sir, that was referred to on that footnote.

SEN. LEVIN: Right.

REP. GOSS: And perhaps we can talk around that.

SEN. LEVIN: All right. Relative to that letter — by the way, it's a(n) extremely disturbing letter because of the factual inaccuracies and the factual misrepresentations which were made to this committee by Doug — Secretary Feith. But since you haven't had an opportunity to read it, I'd just simply urge you to read that. And we will lay out for you in the next 24 hours those misrepresentations for you to comment on for the record, if you would.

REP. GOSS: Senator, of course. The letter is a letter from CIA to — Defense, was it?

SEN. LEVIN: Yeah. And the misrepresentations were what Mr. Feith represented to the Senate as to what was in that letter — until we saw it for the first time when it was referred to in that footnote that is in the 9/11 report. So what we will provide to you on a classified basis will be what he represented was in that letter to — what he represented to the Senate was in that letter, comparing it to what was in that letter, and to ask for your comments for the record on that.

REP. GOSS: Senator, you will have those, of course. And I promise you I will tend to that as quickly as I can get to a place I can read a classified memo — letter. SEN. LEVIN: Thank you. We appreciate that.

And then the — relative to the materials you did receive, was there anything in there that troubled you, in both the operations of the Feith policy office —

REP. GOSS: Obviously there is a lot of material, and it looks to me like your committee did an extraordinary job of going over the material. And I am very well aware there were dissenting opinions to the unanimous committee conclusions on the issues. There were some things that would say — I would, if I am confirmed in this position, want to be very much on guard about, and that would be the kinds of concerns about policy sliding into the production of intelligence. I think you do have to make sure that the watchdogs are watching on that. On the other hand, I don't want to discourage dissent. I do want to have dissent, and I think that's extremely important.

And one other area that came to my mind is that I hope that we will have some guidance — frankly, I speak as an American citizen — I hope the American — the nation will have guidance from the Hill on how we are going to deal with the relationship between the secretary of Defense and the national intelligence director, or whatever the position is, because it strikes me that the informal program that we've had over the years, it's worked fairly well — perhaps does not provide quite the scope in what I will call informal meetings to get to some of the issues that are discussed in the packet you provide me. And I do believe that that's not just a throwaway comment.

Senator Wyden asked me if I've done anything. One of the things that we did do a couple of years ago, which I'm very pleased, is we raised the level of attention to some issues that needed to be adjudicated between the secretary of Defense and the — now the DCI, but whatever position it will be. That is an area that has troubled me for some time.

SEN. LEVIN: Thank you.

To be more specific about some of the matters in those documents, the Senate Intelligence Committee report that you referred to describes a DOD e-mail that recounts that Deputy Secretary of Defense Wolfowitz wanted the department to quote, prepare an intel briefing on Iraq and links to al Qaeda for the SecDef and that he was not to tell anyone about it, close quote. The same e-mail referred — the writer in that e-mail, who was quoting Wolfowitz — referred to the quote, Iraq intelligence cell inside the office of the undersecretary of Defense for Policy, which is Doug Feith's office.

Now that intel briefing was given to the secretary of Defense and then to the DCI. A modified version was given directly to the staffs of the Office of the Vice President and the National Security Council, with material that the DCI had never seen, including a chart that was highly critical of the intelligence community for the fundamental problems with its analysis of the Iraq-al Qaeda relationship. It promoted a view of a very close relationship between Iraq and al Qaeda, and cooperation, in a slide that talked about "known" contacts between Iraq and al Qaeda, in quotes, including a meeting between Atta and the Iraqi intelligence officer in Prague. That was called a "known" meeting, although it was very different from the CIA view. Now that varied significantly with the intelligence community's assessment, but was presented to the White House, Office of the Vice President and to the national security folks.

Now my first question to you is whether or not — one final point before my question, which is that the — DCI Tenet told

us at an open hearing, response to my question, that he was not aware of the briefing to the Office of the Vice President or the NSC staffs till just a few weeks before, when I brought it to his attention, and that he had never had a chance to review the content before it was provided. Do you believe it's appropriate for such rogue intelligence to be hot-wired directly to the White House without the knowledge of the DCI and without the opportunity for review by the intelligence community?

I am not asking you whether dissenting views are appropriate. We obviously want dissenting views. That's not the issue. We want alternative views. The question is, when there is a formal briefing that is made and an intelligence briefing, an assessment, an analysis, of the kind that you are now familiar with, and that was in this report — when that is being presented to the Office of the Vice President and to the National Security Council, do you think it is appropriate that the DCI not even be informed of that so he could have an opportunity to comment on it?

REP. GOSS: If appropriateness is your question, Senator, I think it's appropriate that the DCI should always be informed about anything that is coming from the intelligence community as intelligence, that purports to be intelligence product.

There is a problem here, and it's one that I hope the reorganization is going to address rather directly. That is, we've got 15 agencies. Some of them have Cabinet levels, secretaries, that have different discourses with the White House or the National Security Council on different levels.

It is very hard to suggest that everything that everybody has when they go to a meeting is or is not from the intelligence community. And so I don't want to try and sit here and tell you that here's a hard and fast line somewhere. I certainly believe that any administration has the right to go to its secretaries, the right to go to its agencies in the executive branch and deal with it as it should.

But is it appropriate, if we are going to have a coordinated intelligence network, to keep the top man on the intelligence community involved if it's something that purports to be intelligence? The answer, sir, is yes.

SEN. LEVIN: All right. Well, that's what George Tenet, when he found out about it, said was unusual.

REP. GOSS: I did read the packet, sir.

SEN. LEVIN: Do you agree with him?

REP. GOSS: I agree with him that it's a fair point —

SEN. LEVIN: — that that was an unusual thing and he was going to talk to the folks about —

REP. GOSS: Sir, I don't know if it was an unusual point, because I've never been a DCI.

SEN. LEVIN: All right. All right.

Now there's another aspect to this as well, and that is that The Weekly Standard published excerpts from a(n) alleged classified document that was prepared by Undersecretary Feith. And the article in The Weekly Standard alleged an operational relationship between Iraq and al Qaeda. In the words of the author, "The picture that emerges is one of a history of collaboration between two of America's most determined enemies." And the article flat-out says that Osama and Hussein had an operational relationship. Now Tenet said at that hearing I referred to that the CIA did not clear that document and did not agree with the way the data was characterized in that document that was apparently leaked to The

Weekly Standard. Nonetheless, the vice president referred to The Weekly Standard article, saying that it was based on a Defense Department study that was sent to the Senate Intelligence Committee and called it, quote, "the best source of information," close quote, on that issue, being the relationship between al Qaeda and Saddam.

Do you believe it is appropriate for a senior administration official to refer to a leaked classified document publicly as the, quote, "best source of information" on the subject?

REP. GOSS: Senator, I have absolutely no way of knowing what was behind that comment, and I therefore can't shed any light on it.

SEN. LEVIN: You don't know what was behind it, so that — that if there's a highly classified document that is referred to in public, and it is validated by being called the best source, you're not troubled by that?

REP. GOSS: If there is a classified document that is released in public, I am troubled by it.

SEN. LEVIN: I think my time is up. Thank you.

SEN. ROBERTS: Senator Wyden.

SEN. WYDEN: Mr. Chairman, I have only one other question. Let me also say to you, Mr. Chairman, I want to thank you for the time that you've given. I think this is probably going on my fifth round, and I appreciate it.

Congressman Goss, the last question I had for you is, in your judgment, what went wrong on the matter of the Iraqi nuclear threat?

As you know, we documented at some length in our committee the matter of the aluminum tubes. The president of the United States in his address talked about a mushroom cloud. I would be interested in your judgment on what went wrong with respect to how the matter of the Iraqi nuclear threat was handled.

REP. GOSS: There are several threats, Senator. I think that the first one is the atmosphere that the subject of the nuclear threat was brought up. I believe that the lesson we learned early in the '90s, when we got into Iraq, discovered that they were much closer to the capability for nuclear weapons than anybody had estimated, that they were perhaps within two years — if I'm not mistaken; I want to be careful about what's classified and what's not here — I think that the pendulum swing from, "Oh my gosh, we didn't get that one right and that was dangerous," led us to look at the worst-case scenario, properly, as we did with the other WMD, the chem/bio that we were convinced that if our troops went in there they'd have to have special protective equipment — which they did, which of course was extremely unpleasant in the circumstances there. So I think there was abundance of caution. Now, there are some other problems as well that are very clear. I think that there was the problem of conventional wisdom; that when we started getting some of the people who were involved in the nuclear program — you've asked me to talk — their credibility, unless they picked up on where we thought the threat had gone, where the analysts has thought the threat had likely gone, given Saddam's continued intent and desires and public statements about rewarding his nuclear people, and so forth, that were out there, I believe that there was some dismissal of the statements that were out of line with what we expected to hear in the analysts' terms. And I think that's a mistake, and I think it's been well pointed out, the problems of conventional wisdom, in the work that's been done by your committee and others.

I think that there was some intentional denial and deception by Saddam. I think that the public statements and the accolades — and I don't remember whether he gave ribbons or medals or just words of encouragement — but it did hit the

international media, to the wonderful work being done. So I think he was trying to at least convince us that he had the nukes. And we had been convinced before — we had been slow before to get our guard up.

Then there were specific bits of information, which I will not speak of publicly, but I can tell you — I think you're — this committee is fully aware of them, as was ours — there were things that were dug up, as it were; there were materials that indicated very clearly that as soon as the watchdogs get out of here, we're ready to go back to work in the nuclear area. I think that given the threat and given the war on terrorism and the statements by the fundamentalist leaders that they wanted to get weapons of mass destruction and deliver them to this country, seemed to me to be the kind of thing that we should be focusing attention on, and I think we did, and I think it was an area that we should have pursued.

SEN. WYDEN: Thank you, Mr. Chairman.

SEN. ROBERTS: Senator Rockefeller.

SEN. ROCKEFELLER: Thank you, Mr. Chairman. And I will have just one more question.

The predicate again, Congressman Goss, of all of this is not about you as a person; it's not about you as a — somebody who knows the business. We haven't gotten into the business of management of a large agency, which you haven't done, but I don't choose to do that. It is about the question of independence. And I think there's sort of two approaches to take to that: one, which has been mentioned here this morning, is that it's — we're being political; and the other is that it might be that we're being — that we're genuinely concerned, because we're the only ones who can, in a sense, on behalf of the Senate — other than the final vote — is to vet you. And the questions, virtually all, have been in the same line — the independence of you. There has been, as far as I know, one other — at the very beginning, as you know, I said that — we talked about it in my office — that nobody who's been in politics, and particularly recently, should do this. And looking back, I think that — the president's father, obviously, for I don't think quite a year, but he was head of the CIA. One could argue about Bill Casey because he wasn't in the Congress but he had worked with the RNC and that kind of thing. But for the most part, people have not come from that arena. And I think that's a fairly genuine basis from which to ask the kinds of questions that we're asking.

And so let me just ask one final thing. During the kind of hearings which we had some of and need to have more of, about pressure on analysts in the Central Intelligence Agency, we had — it was quite interesting. There was Richard Kerr, who had been a former deputy director, and he had some things to say.

Then there was for me, more interestingly, the CIA ombudsman, who indicated that the pressure on the analyst to come up with certain kinds of products — this is outside; this is across the great divide — you know, we don't want to go one way from analysis to policy; well, then we don't want to go the other way from policy to analysis. And that's a fair trade. And he said that in his 32 years in his position he had never seen so much hammering on the part of the administration on analysts. That's a severe statement. I don't happen to know him, so I can't judge whether he would make a statement which was off-base, but I don't think he would have that position. George Tenet himself indicated there were people that came to him with these concerns.

So the question I guess I would like to ask you is, what would you do as CIA director? How would you go about the business, to whatever extent you could, of protecting your analysts from pressure, from whatever kind of administration on whatever kind of subject, in the business of intelligence, which is more delicate, more sacred, more — because it's so secret, it's also so much more volatile.

REP. GOSS: The — by analysts, Senator, I'm going to take your question to mean across the community —

SEN. ROCKEFELLER: Yes.

REP. GOSS: — because we're talking generically, I believe. It's not just the agency you're talking about.

SEN. ROCKEFELLER: Yeah, the agency is what I'm talking about, but all admitted, you could be here, you could be there.

REP. GOSS: Okay, well, I'll answer for both, if I can, then, Senator. What I would try and do is — in fact, what I would do, if confirmed, is to set up a very clear direct line between the analysts management and the top office, which would presumably be — whatever the top office running CIA for them, or the top office of any of the other agencies that have analytical capability, with a follow-on line to the overall director of national intelligence — or whatever we're going to call that person. So there are two stops at least, other than the normal management. And anybody who feels pressed as an analyst, whether it's the pressure of the time, it's the pressure of the questions, it's the complexity of the problem, it's the pressure of not having enough information, whatever it is, those pressures need to be understood in the product itself and undue outside influence has got to be kept out of it, there's no question about it. I believe we have a system like that that can be used — enforced. I read very carefully what Senator Levin sent over. I read the deliberations of this committee, which were pretty exhaustive on the subject, and I read the dissenting views, which raised the concern which you have echoed. I agree it is an area for watchdog; it is an area where you have to have clear access to the top.

And let me tell you how personally I feel about that, if I may, very briefly. That is, I, if I am confirmed, do not want to be the person standing in front of the president of the United States, or anybody even close to that rank, with information that I do not have full confidence in. And I am not going to have full confidence in information that has been contaminated by policymaking. So I think I have a double reason to do it; one, because of the community; and others because I don't want to be put in a position of not delivering the product I say I've got.

SEN. ROCKEFELLER: And I understand that statement. I think it's a very good one.

REP. GOSS: Thank you.

SEN. ROCKEFELLER: My question was, how would set about to try to — I mean, obviously, what has worked up to this point has not quite, at least in recent years, worked sufficiently.

REP. GOSS: Sir, I can't isolate the analysts. There has to be some kind of co-location, there has to be some type of interface with — as we pointed out, with the collectors. So you run the risk at any point that you start getting product that's as pure as you can get it, but getting it as good as you can get it, of drawing that line. And all I can suggest is that you put on the door the sign that says, "If you think you're being pressured or somebody's interfering with your product unduly, you are invited to call your friendly director." And I don't mean that flippantly, I think it's that kind of a level.

It's a little bit like our whistleblower law or our — you know, our 1-800-number we use. If you've got a problem with this, call your intelligence committee. That's our job to oversee this; if there's an abuse, we want to know it. I've made that work fairly successfully as the chairman of HPSCI, actually. I believe I can make it work —

SEN. ROCKEFELLER: Thank you, Congressman Goss.

Thank you, Mr. Chairman.

REP. GOSS: Thank you very much, Vice Chairman.

SEN. ROBERTS: During our two days of open hearings, all members have had an ample opportunity to ask questions. The nominee has been, I think, every forthcoming and very generous with his time, as have members. We are about at the eighth hour — three hours by the current three members, plus private meetings. We have created a thorough record here, it seems to me. We have expressed our concerns to Mr. Goss and he has given us important commitments. The intelligence community needs leadership and the need is now.

It seems to me it's time to move the nomination. In that regard, we have noticed a business meeting for tomorrow for this purpose. I look forward to a good turnout. Will the nominee make himself available today, if any member would like a private meeting?

REP. GOSS: Yes, sir, of course.

SEN. ROBERTS: Mr. Goss, to refer back briefly to a question from Senator Wyden, I ask you now, would you support any effort on the part of anybody in the executive, or for that matter — and I can't imagine this — in the intelligence community of weakening the congressional oversight of the intelligence community or activity?

REP. GOSS: No, sir.

SEN. ROBERTS: I have a note here that Senator Levin wants to ask an additional question. I will recognize him for that purpose.

SEN. LEVIN: Thank you very much, Mr. Chairman. Congressman Goss, as reported by the Senate Intelligence Committee report, the intelligence community report or assessment relative to the question of whether or not Saddam Hussein had trained al Qaeda operatives in chemical and biological warfare, said, in the classified form, that the sources relative to that were of varying reliability and sometimes contradictory. The national security adviser said that, quote, "We know that there was training of al Qaeda in chemical and perhaps biological warfare."

Would you agree that that statement that, "We know that there was training of al Qaeda in chemical and perhaps biological warfare," goes beyond the intelligence, which said that reports thereof come from sources of varying reliability and are sometimes contradictory? Would you just agree that that statement of the national security adviser did not reflect the underlying intelligence?

REP. GOSS: Sir, if that were the totality of the issue or the picture, I would feel obliged, I think, if I were confirmed as DCI, to ask the national security adviser what exactly was the basis for the statement.

SEN. LEVIN: If that were the totality?

REP. GOSS: If that were. I'm not sure that is the totality, because even — I will tell you totally honestly, I'm not sure right now what's what with the training, but I honestly believe there was training. Again, this is getting into classified stuff. And I'm happy to talk to you privately about why I believe that.

So —

SEN. LEVIN: I understand that. But my question is whether or not if that were the totality, that the underlying intelligence

said if — I'm giving you this question —

REP. GOSS: Yes, sir.

SEN. LEVIN: — says that the report of training was based on sources of varying reliability which were sometimes contradictory, if that's the underlying intelligence, and if the statement made by the policymaker is, "We know that there was training," would that be a fair characterization of the underlying intelligence, if that's the totality?

REP. GOSS: I would say that the source description of that situation that you've outlined, the totality is we're not sure of our sources, would not qualify me to say, as the DCI, "we know." I would qualify it and caveat it.

SEN. LEVIN: All right. Now, in your judgment, when the national security adviser said on September 8th, 2002, that, quote, "We do know that there have been shipments going into Iraq of aluminum tubes that are really only suited for nuclear weapons programs, centrifuge programs" — and that is an exact quote — did that accurately reflect the underlying intelligence?

REP. GOSS: Senator, I have no idea what intelligence the national security adviser had received.

SEN. LEVIN: You know what the estimates were. I'm asking you, from what you know of the intelligence relative to that issue, did that statement, in your judgment, reflect the underlying intelligence accurately? That's all I'm asking you.

REP. GOSS: On September 8th in 2002 — I don't honestly remember my — I do know that my assessment of the question of the suitability of those tubes for anything other than a devilish nuclear purpose has changed as information has changed. I can't tell you the exact timeline. And I do know there were dissenting opinions. What I can't tell you is when I knew there were dissenting opinions.

SEN. LEVIN: You can —

REP. GOSS: So I'm trying to answer your question faithfully and say I just don't know when that cognizance came to me. But if I knew that there were other possibilities for dual use equipment, I would say so, yes. I would certainly say so.

SEN. LEVIN: And that if at the time the intelligence indicated that there were other uses that were possible, that then to state that we know that they are really only suited for nuclear purposes would be an exaggeration, in your judgment?

REP. GOSS: Senator, in a hypothetical sense, that would be an exaggeration if that were the totality. But in a specific case in the past, I simply do not know what people knew or what other information they had.

SEN. LEVIN: All right. You've indicated, Congressman Goss, that national security is one area where bipartisanship is essential. And I think you include in that intelligence estimates, and I couldn't agree with you more. We just unveiled the portrait of Arthur Vandenberg, from my home state of Michigan, who surely led the way in that regard.

We've seen over the decades too much — too many instances where intelligence has been manipulated or politicized. Secretary of Defense McNamara used classified communication intercepts to push for passage of a Gulf of Tonkin resolution, which was then used by President Johnson as the legislative foundation to expand the war in Vietnam. Bill Casey, a CIA director — and here George Shultz's book just lays out what really amounts to an indictment, but in any event a case that during the Iran-contra period the CIA director — and here I'm quoting from the Iran-contra report, in this

case, not from Secretary Shultz's book, but from the Iran-contra report, bipartisan report — said that Director Casey, quote, "misrepresented or selectively used available intelligence to support the policy that he was promoting," close quote.

We saw much too much shaping and exaggeration of intelligence prior to the Iraq war, and we've got to do everything we can, in my judgment, to try to prevent that from happening. There's been too much of it in the past. It's not limited to Republican or Democratic administrations. And I'm just wondering if you'd comment on that.

REP. GOSS: Sir, I agree with you on that, that — and I'm guilty, too, as I have said, of slipping into some partisan comment in areas of national security, and I'm sorry that I have. And it's usually because I have been — had to respond to a question which — or a situation which I considered provocative, in order to defend what I think needed to be defended on behalf of national security. My judgment's not perfect. I've been wrong, and certainly I regret sometimes being sucked into those things. I do understand the need to get out of the debate. And I do understand the need, if I'm confirmed, to get into the management business. And I do understand the need to make sure that there's not only no partisanship but that we keep the politics out of it.

SEN. LEVIN: Thank you very much, Mr. Chairman. Thank you very much, Congressman.

SEN. ROBERTS: Are there any other questions by the members? Not wanting to beat a dead horse, or split the shingle — I'm not referring to you, sir —

REP. GOSS: Thank you, sir. (Laughs.)

SEN. ROBERTS: We did numerous statements by members of this committee or the House committee, or any other member of Congress, just as declarative, just as aggressive, in regards to those concerns that have been raised here today by members of Congress, without the benefit of the WMD report that was done by this committee. Did that represent an exaggeration of the use of intelligence?

REP. GOSS: Sir, I think that the WMD report done by this committee, the conclusions you've received, were the right conclusions. I would have supported those conclusions had I been on this committee.

SEN. ROBERTS: Well, I think the conclusions represented a shotgun — no, a flashlight of truth, if you will, that spread a broad light not only on those in the executive but those in the legislative. And I can cite you statements made by myself and others on this committee, on the House committee, and by many members of Congress, that were very declarative, very assertive, very aggressive, and — all pertaining to the concerns that have been raised here, and that we were wrong.

Now, I didn't exaggerate it. I stated what I thought to be true. But the intelligence that was provided was not accurate. And so consequently, when we get to the use of intelligence, as to whether it's exaggerated or not, or whether I felt pressured or whatever — and I'm not going to get into all that again — I think that's a consideration. I'm not sure that you, as the CIA director or the national intelligence director, would feel comfortable, however, if somebody made the statement on the floor of the House or Senate, or in public or on television — that you would immediately feel an obligation to come to them and say, "Senator Roberts, I think you're wrong." You may feel that way, but you wouldn't have any time to do anything if you were trying to correct the members of Congress when perhaps they exaggerated anything.

With that, this hearing is concluded. I thank all members for their participation, and I thank the witness for his patience and perseverance.

Ibero-American News Digest

Brazil Central Bank Raises Benchmark Rate

The Brazilian Central Bank raised the benchmark SELIC interest rate to 16.25%, angering industrialists, but pleasing the banks, *Folha de Sao Paulo* reported Sept. 14-16. The quarter-point increase, announced on Sept. 15, was the first increase since February 2003, but the Monetary Policy Committee suggested that the rate will likely increase again, "in a process of moderate adjustments."

Financial groups (Merrill Lynch and the National Federation of Credit, Financing and Investment Companies) hailed the increase as a measure which would "calm the financial markets" and restore the Central Bank's "credibility." It's no surprise that the banks liked it, *Folha de Sao Paulo* pointed out, as they are the principal beneficiaries of high interest rates, living as they do off the public debt, 52.93% of which is linked to the SELIC rate. *Folha* calculated that the banks will get R\$1 billion more from the government—some US\$345 million—without their investing a penny more, if the SELIC remain at 16.25% for 12 months. The more the banks can make from government debt, the less interested they are in loaning to the productive sector, *Folha* added. ([See *EIW* Vol. 3 No. 26, June 29 exposé of the Spanish takeover of Ibero-American banking.](#))

Industrialist federations—the FIESP of Sao Paulo, the FIRJAN of Rio de Janeiro, and the National Federation of Industries—protested the increase, as a blow to efforts to get industry and employment going again.

The increase will cause political problems for President Lula da Silva, in the run-up to October's municipal elections. Two days before the decision, his Vice President, Jose Alencar of the Liberal Party, again demanded that interest rates be *lowered*, a desire echoed on Sept. 14 by Jose Dirceu, Lula's civilian chief of staff.

Lula Campaigns for FDR-Style Infrastructure

"I want to do in the semi-arid Northeast, what Roosevelt did in the Tennessee Valley," Brazilian President Lula da Silva stated during a ceremony to inaugurate a refinery on Sept. 14. Lula has been personally campaigning for his biggest investment project, which is planned for 2005: the centuries-old plan to divert the waters in the Sao Francisco River Basin to irrigate four of Brazil's poorest states in the Northeast, which suffer constant droughts. The modern version of the Sao Francisco project was drafted decades ago, after direct study of FDR's TVA.

A technical mission sent to Brazil in 1942, under Roosevelt's Good Neighbor Policy, observed that the Sao Francisco River Valley would be a particularly appropriate site for TVA-style development.

Opposition is being thrown up by parochial interests who fear that their current use of the water will be jeopardized by such a large-scale project, but, as Lula said on Sept. 2, this project must be carried out, because it will "revolutionize" the impoverished Northeast over the next 5-10 years. The President—who grew up in extreme poverty in that area—called it an "historic error" that the project had never been implemented. "Those who criticize the Sao Francisco diversion project didn't drink dirty water as my brothers and sisters and I did when we were growing up in the Northeast. We drank the same water as the cattle, and this must end," he told his audience on Sept. 14. And to end the drought requires establishing public policies to do so, he said.

Parochial local opposition is less an obstacle to this great project, than the Lula economic team's refusal to permit large-scale government funding. The government budgeted only R\$100 million towards the more than R\$1 billion it wishes to

see spent on the project in 2005, hoping to generate private financing to cover the rest.

Fox Hands Windfall Oil Profits to the Banks

The government of Mexican President Vicente Fox has used the windfall profits from the soaring price of oil, and then some, to bail out the banks. Between January and August this year, Pemex received \$3.6 billion more than what was projected in the 2004 budget, due to the increase in the oil price. Such windfalls in Mexico are channelled into a special reserve fund, which the government uses as it sees fit. So, how did the Fox government choose to use the money?

According to an exposé published by *La Jornada* on Sept. 20, the Central Bank auctioned off those dollars—and \$1.75 billion more—to the private banks in Mexico, at a price 9% below what the banks are required to sell them for to the public. The result, by *La Jornada's* calculations, was a staggering \$444-million profit for the banks.

The Central Bank adopted the policy of selling foreign exchange to the banks in May 2003, officially explained as a measure to slow the rate of accumulation of foreign exchange. In reality, the Central Bank's sale of dollars has kept up the value of the peso, and kept domestic interest rates down, while providing a juicy stream of income to the banks—which are more than 80% foreign owned, as *EIR's* July 2, 2004 study demonstrated. Since the banks in Mexico have not made loans to Mexican companies or individuals since the 1995 blow-out, in effect the Mexican Central Bank has de facto been channelling Pemex's windfall profits into capital flight out of Mexico.

Argentine Central Bank Shake-Up Rattles Financial Predators

Argentine President Nestor Kirchner's decision to replace current Central Bank President Alfonso Prat-Gay, with Deputy Foreign Minister Martin Redrado has alarmed international synarchist financiers. They fear the change may not only affect debt-restructuring negotiations, but make the Central Bank less independent and more subject to Kirchner's influence. Also removed, were the bank's vice president, and three of its eight directors.

Prat-Gay, former head of Emerging Market Research at JP Morgan Chase, criticized the government's debt-restructuring plan, and constantly clashed with Finance Minister Roberto Lavagna on the issue. He argued that the plan should be made more attractive to the foreign vulture funds with a cash payment, warning that otherwise few bondholders would accept it. A source close to Kirchner told *Pagina 12* Sept. 19 that this appeared to the President to be more of a defense of the bondholders' interests than of Argentina's. As the debt restructuring enters its final phase, Kirchner can't tolerate divisions among his team. One economist told *Clarín* that in the case of a country "whose financial system collapsed, the independence ... of the Central Bank has to be put on hold."

Redrado, a graduate of Harvard, definitely has monetarist leanings, but can be expected to keep his distance from anything having to do with debt restructuring.

Kirchner: IMF, Not Argentina, Needs 'Structural Reform'

It's the IMF that requires "structural reform," not Argentina and other developing nations, said Argentine President Nestor Kirchner in his Sept. 21 speech to the United Nations General Assembly. Kirchner echoed many of the same themes that his Brazilian counterpart Lula da Silva had stressed earlier the same day—strengthening multi-lateralism, and the pressing need to address problems of poverty, hunger, and disease in the developing sector. But he reserved his most pointed remarks for the IMF, and the destruction, poverty, and indebtedness wrought by unbridled neoliberalism of the 1990s, in particular.

Argentina is a paradigmatic case, he said. It was a model for the IMF's policies, and ended up in a horrific crisis. The IMF claims there is a single, universal policy prescription for all countries. That is not the case. "We accept responsibility for adopting policies foreign to us which led us into the worst of worlds," he said. But, it's not good enough for multilateral lenders to say they made mistakes (as the IMF did in the Argentine case). "An urgent, tough, structural redesign of the International Monetary Fund is needed, to prevent crises and help in [providing] solutions, changing that direction which led it from being a lender for development to a creditor demanding privileges."

Without this, Kirchner said, the IMF can only demand "theoretical structural reform, whose results no one can guarantee.... [M]eanwhile, inequality in our countries will grow because of those reforms; tears will be shed, and poverty created for those millions of excluded, caused by those reforms. They will say their 'mea culpa,' and we will see the number of poor grow if we again do as they say. That is why we say that it is those international credit organizations which are most in need of structural reform."

Haiti Slammed by Tropical Storms; IMF Caused Mass Deaths

The ravaged island-nation of Haiti is being forced to bury its hundreds of dead in mass graves due to the advanced state of decay caused by high temperatures. There are estimates of as many as 2,000 dead, with many more missing, and at least 250,000 without homes—all the result of the latest devastating floods from tropical storm Jeanne.

Haiti's hillsides, denuded by a desperate population which has been forced to rely on charcoal for fuel because of an austerity regimen that has denied alternative energy sources, could not stop floods that washed away entire towns. In the 250,000-person city of Gonaives, not a house was undamaged. Electricity was cut off in parts of the country, and corpses—many of them children—piled up in the 90° heat. The situation is being dubbed "critical," as epidemics and starvation are expected to spread. Despite urgent calls for international aid, food and supplies are trickling in, and having a hard time getting to the interior of the country.

There is nothing "natural" about this disaster, as this nation has been a laboratory for IMF-style genocide for decades. This latest destruction of Haiti's homes, crops, and fuel leaves no margin for survival of the majority of the population.

Huntington Rants Against Mexican Immigration

Illegal Mexican immigrants might bring weapons of mass destruction into the United States to unleash terrorism, raved synarchist Samuel "Clash of Civilizations" Huntington, at a conference in Veracruz, Mexico Sept. 20-21. Attending the Veracruz 2004 Business Summit, Huntington repeated the themes in his fascist tome *Who Are We?*, warning that illegal Mexican immigrants coming into the U.S. are increasing in numbers, but don't want to accept the American way of life, learn to speak and write English, assimilate, etc. Arguing that they represent a grave national security threat to the U.S., he warned that were a terrorist incident to occur in the U.S., "where it was proven that the perpetrators had crossed the U.S.-Mexican border," this would result in completely closing the border, building walls, and restricting any further immigrant flow into the United States.

Huntington's remarks didn't sit well with some of the other participants. Former U.S. Ambassador to Mexico Jeffrey Davidow pointed out that people were leaving Mexico in large numbers because of the economic conditions in the country.

Speaking in Nuevo Leon the same day, Will Wertz, president of the U.S. Schiller Institute, and representative of the LaRouche PAC, responded to Huntington's remarks in an interview with the *Diario del Aire* radio program Sept. 21 in Monterrey. Wertz warned that, just as Huntington's fascist "Clash of Civilizations" theory served as the ideological basis

for launching war against Iraq, Huntington's synarchist faction intend to use his *Who Are We?* book as the ideological justification for a military attack on Mexico. Huntington's book portrays Mexican immigrants to the U.S. as the new enemy-image.

Western European News Digest

German Chancellor Wishes Monday Rallies Were Dying Down

In a full-page interview with the Sept. 23 *Frankfurter Allgemeine Zeitung*, Chancellor Gerhard Schroeder said that he thinks that protests against the government's "Hartz IV" austerity program are diminishing. More and more people are coming to realize that Monday rallies will not alter the government's policy in any way, he said, adding that he sees no alternative to the Hartz IV approach.

Unfortunately for Schroeder, the opposite is true. Even as this interview appeared on newsstands, citizens in five eastern German cities were taking to the streets.

Furthermore, Thomas Moeller, chairman of the DGB (Germany's labor federation) in the Prepommerania district, said in an interview with the *Ostsee-Zeitung* Sept. 23, that even if many are deserting the protest rallies these days, it is impossible to tell them to go home and stop protesting, after they have been mobilized. Neubrandenburg, where this daily is published, had its sixth Thursday rally on the very day these statements appeared in the press.

East German Rallies Honor the Historic 1989 Demonstrations

In many eastern German cities, the historic protest rallies of 1989, which led to the fall of the Berlin Wall, are being celebrated and remembered in official, as well as non-official events.

In Saxony, for example, Leipzig, Dresden, Chemnitz, Plauen, and Zwickau will hold exhibits Oct. 7-9, with original pictures and reports from that autumn protest, 15 years ago, and all of that momentous history will refresh the Monday rallies for many, once again. Speeches, seminars, and interviews are on the agenda of these events in numerous eastern Germany cities and towns.

A related panel discussion took place in Schwerin, at the State Center of Political Education Sept. 22, with politicians, journalists and others who took part in Monday rallies in 1989.

First Major Dutch Anti-Austerity Protests Launched

The traditional "government speech," which Dutch Queen Juliana read in The Hague Sept. 22, is certain to provoke more protests by labor unions and citizens. The Christian-Liberal Dutch coalition government plans deep cuts in the labor market, welfare and health budgets, similar to the German Agenda 2010 policy. With that, the Dutch government hopes to reduce its budget in FY 2005 by three billion euros—to meet the Maastricht guidelines.

On Monday, about 50,000 citizens took to the streets of several cities. The port of Rotterdam was on strike for the entire day, and the Heineken firm did not produce any beer the entire day, either. More warning strikes were reported on Sept 21 and 22, and on Sept. 23, about 5,000 policemen protested in The Hague against budget cuts.

The Netherlands is in a precarious economic situation, with news headlines focusing on the deep trouble that banks and

industrial firms are in. Dutch unemployment has doubled over the past three years, and poverty is spreading. Recent revelations have definitely ripped apart all the nonsensical talk about the "Dutch Model." Dutch Prime Minister Jan Balkenende gave a briefing on this austerity model just two weeks ago.

Swiss Gnomes Won't Escape Anti-Austerity Protests

Labor unions, and other nominally leftist organizations in Switzerland, with a total membership of more than 300,000 citizens, will stage a day of national protest against intensified austerity plans of their government, on Sept. 23.

Protests and warning strikes will be held in seven bigger cities: Basel, Berne, Lausanne, Geneva, Zuerich, Baden, and Chur. There is commitment to continue the protests, possibly on Thursdays, but there is also strong support for Monday rallies modelled on those in Germany.

Brits Jump Sinking Ship: Iraq Troop Pullout Pending

Contrary to reports in recent days of possible troop increases, the London *Observer's* chief reporter Jason Burke reported Sept. 19 that "the British Army is to start pulling troops out of Iraq next month despite the deteriorating security situation in much of the country." The main British combat force, about 5,000 strong (out of 8,000 total British troops), will be reduced by about one-third by the end of October, Burke reports. The reduction will be part of an otherwise routine rotation of troops in Basra over the next few weeks. Burke says the reports came from both military sources and Whitehall, and were confirmed by a military spokesman in Basra.

British Diplomat: Bush Is Al-Qaeda's Best Recruiter

"If anyone is ready to celebrate the eventual re-election of Bush, it's al-Qaeda," Britain's Ambassador to Italy Sir Ivor Roberts said, while attending a private Anglo-Italian event in Tuscany, *Corriera della Sera* reported Sept. 20. The British embassy in Rome declined to comment, saying that the meeting was covered by Chatham House rules (nothing said is to be accredited to a specific person).

German Public Transport Needs 35-Billion Euro Transfusion

A study, released on Sept. 17, by the Association of German Transport Corporations (VDV) states that 19 billion euros in investments will be needed between now and 2007, and another 16.4 billion euros over 2008-2012 just to maintain current operations. Some 40% of the total investment will be required to replace 18,500 over-aged buses, and 4,000 tram and subway cars. The other 60% is needed to upgrade thousands of bus, tram, and subway stations, and to repair or build more than 1,000 km of urban railway lines in German cities.

All these figures are quite conservative estimates, says the VDV study. VDV Vice President Dieter Ludwig warned that further cuts in public investment budgets would certainly lead to the "overall rotting" of Germany's once-excellent public transport infrastructure.

British Railway Launches High-Speed Train Service

Virgin Trains of Great Britain launched new high-speed service Sept. 20 on the West Coast main line, marking the completion of the first phase of a 7.6 billion pound upgrade to the line. This will allow Virgin's new "tilting trains" to travel at speeds up to 140 mph, cutting the 184-mile journey between London and Manchester by 30 minutes, a 22% reduction. "A workforce of 9,000 has spent a total of 24 million hours upgrading the line, Britain's busiest rail route, since

May last year. More than 460 new sets of points, 600 miles of overhead wiring and more than 1 million tons of ballast have been put in place."

British Housing Bubble Springs a Leak

Interest rates in the UK have been raised three times within four months, leaving real estate agents' "confidence" at its lowest level in six years, the *Times* of London reported Sept. 21, while the number of loans for house purchases fell to 104,000 in August, down 20% from July. The value of loans was down 18%. The number of house sales contracts in August, fell to the lowest level since November 2000.

The Royal Institution of Chartered Surveyors (RICS) reported that the housing market had undergone a heavy slowdown since May, with potential buyers "knocked off balance" by rising rates and repeated warnings of a sharp downturn in prices. RICS national housing spokesman Ian Perry said, "Some speculation in the housing market is quite gloomy at the moment." But he claimed that there would not be a "prolonged" price fall.

Iran Discusses Major Oil and Gas Projects with Spain

The Foreign Ministers of Iran and Spain used their meetings at the General Assembly to pursue what Spain's Foreign Minister, Miguel Angel Moratinos called "Tehran-Madrid ties in all fields," the key to which is a proposed partnership in a \$4 billion venture between the National Iranian Oil Company with the Spanish-Argentine oil firm Repsol YPF and Anglo-Dutch Shell, for natural gas.

The companies would produce 7 million tons of natural gas and one million of liquefied gas. *El Pais* reported that the companies had taken advantage of the last OPEC summit in Vienna to negotiate the deal.

One of the two firms would be engaged in drilling and extraction, while the other would focus on downstream marketing, refining, and distribution, with total investment of \$2.5 billion.

Russia and the CIS News Digest

Russia Pressures UK on Chechen Separatists

The Russian Foreign Ministry on Sept. 16 summoned British Chargé d'Affaires Steven Wordsworth to protest air time granted by the state-run BBC Corporation, to Akhmad Zakayev, the Chechen separatist representative in London, as well as his political friend, the exiled financial operator Boris Berezovsky. According to Itar-TASS, the Foreign Ministry told the diplomat that, "having granted asylum to these 'refugees,' the British authorities bear full responsibility for their remarks and actions." The protest continued, "The Russian side hopes that London will draw conclusions from the current situation and will take adequate steps to curb the provocative actions of the aforesaid persons."

In other responses to the escalation of irregular warfare against Russia, in the North Caucasus and elsewhere, President Vladimir Putin said Sept. 17 that preventive measures against terrorists were being prepared. Speaking after Chechen field commander Shamil Basayev had reportedly taken responsibility for the recent attacks, Putin said, "We are seriously preparing to act preventively against terrorists," adding that the steps would be "in strict accordance with the law and norms of the constitution, relying on international law." The same day, the Russian Prosecutor General's office announced that it had evidence that both Basayev and former Chechen President Aslan Maskhadov were involved in the Sept. 1-3 hostage-taking in Beslan, North Ossetia, which ended in bloodshed. "The role of this inhuman being [Basayev] and the so-

called president [Maskhadov] has been proven," Deputy Prosecutor Gen. Vladimir Kolesnikov said in a TV interview. He said that the two should be captured alive.

Foreign Ministry spokesman Alexander Yakovenko announced Sept. 17 that Russia was concerned about financial flows sustaining terrorism in the North Caucasus, and that Foreign Minister Sergei Lavrov would take this matter up in bilateral meetings when he attended this month's UN General Assembly session in New York.

Putin Denounces 'Double Standards' on Terrorism

Addressing a conference of world mayors, held Sept. 18 in Moscow, President Putin said that today's double standards on terrorism "recall the Munich Pact of 1938"—appeasement. "I call for remembering lessons of history, the year 1938 and the Munich Pact," Putin said. "Of course, the situations are different in terms of the scale of consequences that occurred after World War II. But the situation is very similar. The indulgent and excusatory attitude toward killers is tantamount to abetting terrorism. We've encountered double standards in opinions about terrorism. Even today, these views, pernicious for the world and universal security, have not been overcome.... There continue to be attempts to divide terrorists into 'ours' and 'others,' into 'moderates' and 'radicals,' which, in effect leaves loopholes for terror, convenient loopholes in the public mind."

Car Bombing Attempt Reportedly Blocked in Moscow

The world mayors' conference, hosted by Moscow Mayor Yuri Luzhkov at the Museum of the Battle of Borodino, and attended by President Putin, may have been the target of a major terrorist attack Sept. 17. News about an attempted car-bombing in Moscow, possibly targetting the meeting's participants, was reported by in the Russian media Sept. 20. The incident involved the capture of an explosives-loaded van, and a man who was attempting to park it—and who is reported to have said, under interrogation, that he was going to set up a car-bomb on Kutuzovsky Prospect, a main route for Putin's and other official motorcades when they travel to the Kremlin. He may also have given the location of other car-bombs, which are said to have been located and disarmed.

The person detained, identified as Navy veteran Alexander Pumane from St. Petersburg, then died in custody later during that night. Press reports focussed as much on whether or not he was beaten to death by the Moscow police, as on the question posed in a Strana.ru headline, "Whom Was Alexander Pumane Going To Blow Up?" An Itar-TASS dispatch said that Pumane had admitted to planning to detonate the car-bombs during a Saturday (Sept. 18) visit by guests of the conference of world mayors. None of these details was officially confirmed. The only thing about this story that appeared certain, is that there has been a markedly increased "noise" level about a large car-bomb, targetted at Mayor Yuri Luzhkov, President Putin, or other high officials.

Saakashvili Hosted by Jamestown Foundation

In New York for the UN General Assembly, Georgian President Mikhail Saakashvili spoke before business leaders Sept. 20, at an event arranged by the Jamestown Foundation. In his speech, Saakashvili claimed that the Georgian security forces had eliminated Chechen terrorist groups from the Pankisi Gorge, after renewed complaints from Russian authorities that terrorists were still active in this area.

Saakashvili's theme was "Georgia—A Failed State No More." He emphasized that he was introducing responsible tax policies and liberalizing legislation on business and investment, and that the government would sell state property without delay.

He warned that moves were afoot to absorb the Georgian autonomous districts of South Ossetia and Abkhazia into the Russian Federation, in violation of international law. Russian troops are also still stationed at two bases in Georgia proper, he complained.

Saakashvili, in an apparent attempt to upgrade the troop-training agreement with NATO, said that Georgia was prepared to send even more troops to Iraq. Defense Minister Baramidze, meanwhile did go on to visit Pentagon officials in Washington. His agenda covered the continuation of U.S.-Georgian military programs, under which American instructors trained four commando battalions in Georgia, and the USA is carrying out technical retooling of the Georgian State Border Department and Coast Guard.

Ukrainian Election Outcome Uncertain

Opposition candidate Victor Yushchenko's lead in the Ukrainian election, scheduled for Oct. 31, has almost completely melted away, according to an evaluation in the Swiss daily *Neue Zuercher Zeitung* of Sept. 18. Influential neo-liberal circles in the West have portrayed Yushchenko as "the Saakashvili of Ukraine," hoping to replicate Georgia's model of regime change.

Drama around Yushchenko heightened in mid-September, when he checked into a clinic in Vienna, after which medical and political sources reported evidence, albeit unconfirmed, that he might have been poisoned.

Russian Science Slated for Devastating 'Liberalization'

At the first autumn meeting of the Presidium of the Russian Academy of Sciences (RAS), Russia scientists and scholars were informed that during their summer vacation, without consulting any of them, the Ministry of Education and Science had prepared a "business plan for the denationalization and privatization of fundamental science," in the words of *Kommersant* Sept. 15. Under the scheme, the number of state-run scientific organizations will be reduced from 2,338 to 100-200 by the year 2008. The others are supposed to struggle to exist in the jungle of the free market.

Academician Yuri Osipov, RAS President, emphasized that as the document had not been presented to the Academy "officially," it should not be regarded as serious. Some of his colleagues, however, felt compelled to speak out against this new assault on the flagship Russian scientific institution, which was founded by Tsar Peter the Great according to a plan drawn up by Gottfried Leibniz. Gennadi Mesyats, first vice president of the Academy, termed the ministry's initiative "a frontal offensive against fundamental science"—which he found out about only the day before the Academy's Presidium was to meet.

Nikolai Dobretsov, head of the RAS Siberian department, informed the audience that a paragraph in the same ministry's new "Strategy for Innovative Development of the Russian Federation" exactly repeats the "business plan." "This 'strategy' was already discussed in the Ministry of Economic Development and Trade, so it is too late to argue," he concluded sadly. Academician Vitali Ginzburg, a Nobel Laureate in physics (2003), exclaimed, "Does that mean that Yuri Sergeyevich (Osipov) will now be not elected by us, but appointed by the President, like a governor? That is poor stuff and nonsense!"

Academician Nikolai Plate, another deputy head of the RAS, urged his colleagues not to kid themselves about the seriousness of the measures: "This is a conscious, cold, cynical line pursued by a group of persons," he said, "[whose] purpose is to take over the Academy and use it for their own property needs." After this statement, nobody was surprised to hear Academician Dmitri Lvov, Academic Secretary of the RAS Economics Division, urging to write an open letter to President Putin, expressing no-confidence in Minister Andrei Fursenko. *Kommersant* quoted Fursenko's rejoinder, that only 40 RAS institutions, out of 5,000, function well. Science has been severely underfunded since the break-up of the

Soviet Union.

Southwest Asia News Digest

Gitmo 'Muslim Spy Ring' Cases Evaporate

The dropping of all charges on Sept. 22 against Syrian-born Senior Airman Ahmad al-Halabi, who had been working as a translator for the U.S. Army at the Guantanamo prison camp "gulag," again puts the spotlight on the senior officials responsible for the tortures at Abu Ghraib prison in Iraq. A year ago, the news media were full of stories about the discovery of a Muslim "spy ring" that had infiltrated the prison camp at Guantanamo Bay. The Pentagon announced that it had launched an investigation into an "alleged Syrian-linked spy ring among Muslim-Americans working at the detention camp." Later reports indicated that Maj. Gen. Geoffrey Miller (who later gained infamy for his visit to Iraq to "gitmo-ize" Abu Ghraib) was the instigator of the "spy ring" arrests. As *EIR* previously reported, Miller's anti-Muslim paranoia was linked by a number of sources to his close association with the anti-Muslim crusader, Lt. Gen. Jerry Boykin.

Now, another leg of the "Muslim spy ring" story has crumbled, with the dropping of all espionage charges against al-Halabi, who at one time, had faced 30 counts of espionage and a possible death sentence.

In March 2004, all charges were dropped against a Muslim chaplain at Guantanamo, Capt. James Yee, who had been charged with espionage and sedition, and who also faced a possible death sentence. And last month, the Army dropped charges against Reserve Col. Jackie Duane Farr, an intelligence officer accused of trying to take classified documents from the base.

Halabi's lawyers say that Halabi and Yee were targetted after they had complained about the treatment of detainees at Guantanamo.

Sistani Warns Against U.S. Fixing of Elections

Shi'ite Grand Ayatollah Ali al-Sistani, Iraq's most-respected leader, warned against any stall in elections, tentatively scheduled for January 2005, but also threatened a boycott if elections are unfair. Sistani's aides contacted Lakhdar Brahimi, the United Nations representative to Iraq, encouraging him to return to Iraq to deal with their concerns. The *New York Times* on Sept. 22 quoted sources close to Sistani, saying that one concern is that the parties that were in exile and returned with the U.S. troops, making up the initial coalition of parties under U.S. control, are now banding together into a single ticket for the election, in a way that prevents other parties from a fair chance. The January election ballot will list parties, not individual candidates, and the merged larger parties (all approved, if not run, by the occupation forces) would potentially drown any smaller parties which are formed. One source told the *Times*, "If [Sistani] sees that what this is leading to is unfair and unfree elections, then he will not take part in it."

In late 2003, all religious and ethnic groups of Iraq joined with al-Sistani's peaceful protest against the U.S. occupation, forcing the occupation to come up with a schedule for general elections. Now top U.S. officials, including Defense Secretary Donald Rumsfeld on Sept. 24, have announced they might exclude major Sunni areas from the elections because they are too violent.

British General Admits Iraq Is a Full-Scale War

In sharp contrast to the fantasy world of George W. Bush's view of Iraq, Gen. Sir Michael Jackson, the head of the British

Army, became the "first authoritative figure to concede that war is still being waged in Iraq," the *Daily Telegraph* reported Sept. 19, referring to Jackson's statement that the current situation in Iraq is a "counter-insurgency war." Jackson also said that there are many terrorists entering the country, many from Syria. The suicide bombers are foreign, he said, since "suicide is not their [the Iraqis'] way."

The same day, the London *Observer's* chief reporter Jason Burke wrote that "the British Army is to start pulling troops out of Iraq next month despite the deteriorating security situation in much of the country." This contradicts the line out of Washington that the British should *increase* their troop strength in order to help the overstretched U.S. military. But, like the other members of the so-called "coalition of the willing," the British are withdrawing from Bush's Iraq disaster.

The main British combat force, about 5,000 strong (out of 8,000 total British troops), will be reduced by about one-third by the end of October, Burke stated. The reduction will be part of an otherwise routine rotation of troops in Basra over the next few weeks. Burke says the reports came from both military sources and Whitehall, and were confirmed by a military spokesman in Basra.

Avnery Warns of Plot To Bomb Temple Mount

Uri Avnery, founder of the Israeli peace organization Gush Shalom, has written an op-ed, carried on his organization's website Sept. 17, warning that Israel's Security Services have a great fear "that a Jewish terror group will bomb the mosques on the Temple Mount," and that this is an even bigger danger than the much-publicized threats against Prime Minister Ariel Sharon from right-wing rabbis based in the settlements.

Avnery writes that "The Security Service believes that this action is intended to put an end to Ariel Sharon's disengagement plan. Bombing the al-Aqsa Mosque and/or the Dome of the Rock would inflame the whole Arab and Muslim world. It would cause profound upheavals, bring down Arab regimes, perhaps ignite a fundamentalist revolution throughout the region. In such a situation, who would think about evacuating settlements?"

But even more than its effects on the region says Avnery, "The bombing of the Haram al-Sharif mosques is an enterprise that goes well beyond topical issues—it is a revolutionary act that would change the Jewish religion itself. From the point of view of the potential bombers, that is the main thing."

Ironically, Sharon has been the "godfather" of the right-wing rabbis and their army of Jewish terrorists, as documented in the *EIR* Special Report, "Who's Sparking A Religious War in the Middle East," which details the history of several such Jewish terrorist plots against the Haram Al-Sharif mosque that Avnery also references.

Two Leading Sunni Clerics Killed in Iraq

Muslim Scholars' Association member Sheikh Hazem Zeidi was shot dead at an isolated Sunni mosque in the Shi'a Baghdad suburb of Sadr City on the night of Sept. 19. Sheikh Muhammad Jadu was gunned down on his way to noon prayers in the mixed al-Baya neighborhood on Sept. 20. "After performing the night prayers at al-Sajjad Mosque, in Sadr City, [Sheikh Hazem] left in his car with two bodyguards. A group of masked gunmen followed him in a private car and opened fire," said a spokesman for the association. Zeidi's role was to coordinate among Sunni clerics and other religious movements in Iraq, the association said. He was also the imam at one of the 10 Sunni mosques located in Sadr City. Jadu was unarmed and had no security guards, said a mosque official.

"We hope it is not an organized campaign to assassinate the association's clerics," a source in the Muslim Scholars' Association is quoted as saying by Reuters news agency. The association is a conservative group that opposes the U.S.

military presence in Iraq, but has worked for the release of foreign hostages. It has contacts with the Sunni resistance groups.

The deaths followed the arrest of Sheikh Hazim al-Araji, a senior aide to Muqtadar al-Sadr, who was detained by U.S. forces and the Iraqi National Guard. A group then abducted 18 members of the National Guard, and demanded the release of al-Araji.

Then came the killings of the Sunni clerics.

While the common explanation put out in the Western press is to play up the "conflict" between the Sunnis and the Shi'a, the investigation should take into account the charges that the Allawi government could be involved in phony terrorist gangs that are carrying out kidnappings, as described in this week's InDepth.

U.S. Delegation in Damascus Discusses 'Cooperation'

Washington based intelligence sources told *EIR* that a Sept. 11 meeting in Damascus between the Syrian government and a U.S. team headed by the U.S. State Dept.'s William Burns was almost entirely on Iraq, and confirmed details reported in the *Washington Post* on Sept. 21.

While both sides repeated the current complaints (the issues of the Syria Accountability Act rammed through the Congress by the neo-cons, demanding Syria withdraw from Lebanon, stop supporting Hezbollah, etc.), the talks were more interested in finding ways to close the border with Iraq and other mutual concerns. Syria's Ambassador to the U.S. Imad Moustapha said that the meeting, which ended 15 months of little or no contact, "was driven by one thing and one thing only: Iraq."

It was also announced that the U.S. Treasury will send a team, at Syria's request, to examine the banking practices, and clear up the charge of money laundering for terrorism. Ambassador Moustapha said that the trip may dispel any concerns, and the sanctions (which have had little impact in any case) could be lifted.

Mossad Director Warns of Iran Nuclear Threat

Meir Dagan, the director of Israel's Mossad intelligence agency and well-known flunky of Israeli Prime Minister Ariel Sharon, claimed that Iran could have nuclear weapons by 2005, the *Jerusalem Post* reported Sept. 18. Dagan was speaking to the Knesset's Defense and Foreign Relations Committee—the first time a Mossad chief has briefed them in 18 years. Dagan also claimed that Iran's missile capability threatens not only Israel, but Europe as well.

The Mossad briefing, which has received mass media coverage in the U.S., is designed to gather momentum for the Dick Cheney-backed plan for an lone Israeli, or U.S.-Israeli military attack on Iran, as early as this October, before the U.S. elections.

The public outing of the year-long FBI investigation of the right-wing lobby group AIPAC, for passing classified information to Israeli government officials, was a deliberate leak to gum up a Cheney-AIPAC-Israel drive to "give Iran the Saddam Hussein treatment," said one well-informed Washington source to *EIR*. Because of the scandal, AIPAC allegedly cancelled a massive anti-Iran propaganda campaign—for the time being.

Now the Israeli Likudniks are picking up the disinformation campaign. Dagan also claimed that Iran's Bushehr nuclear power plant was too large for producing electricity, and was being built also to enrich uranium, along with a project at

Kashan. Such a project, Dagan claimed, could produce enough enriched uranium to make 10 bombs a year.

But a veteran U.S. military intelligence official, who had worked closely in an official capacity with the Mossad, told *EIR* that the Israelis know that Bushehr is *not* the site of nuclear weapons research. However, this source claimed, it is a site that the Israelis could reach by plane without having to get explicit overflight permission from the U.S.

Asia News Digest

Australian PM Candidate Hits Preemption, as Election Nears

Australian Prime Minister John Howard has been forced to clumsily defend, and then back away from, the doctrine of preemptive military strikes, following a spirited attack from his opponent Mark Latham of the Labor Party. On Sept. 19, Latham was asked a question designed to make him look weak on national security: "If you knew—if you knew that, say Jemaah Islamiyah terrorists in a neighboring country were planning an attack on Australia, would you as Prime Minister be prepared to act preemptively to stop them?" He replied, "We've rejected Mr. Howard's notion of preemption. Extended preemption. You need to do things in cooperation with our neighbours. There's obviously sovereignty issues involved in that question."

Howard immediately seized on Latham's reply, to claim that he was much tougher on national security, because he, Howard, would act preemptively. Howard's statement sparked a wave of nervousness in Australia's Southeast Asian neighbors, such that Foreign Minister Alexander Downer was forced to qualify the Howard statement, by saying that preemption would only be used against failed states in the Pacific. Howard, however, said that he would attack terrorist camps in Southeast Asia.

Before Latham became Labor leader during the Iraq war, he sparked a diplomatic incident between the party and the U.S. embassy, when he called George W. Bush the "most dangerous President in history." He has insisted that he will pull Australian troops out of Iraq, if elected.

U.S. Ambassador Warns of a Afghan 'Tet Offensive'

Ambassador Kalmay Khalilzad, a close friend of Washington's neo-con cabal, said Sept. 20 that he expected a particular challenge from militants along Afghanistan's porous border with Pakistan to the south and east, but also that dramatic violence was a possibility in the Afghan cities, including Kabul.

Home Minister Al Ahmad Jalili told a press conference that the security situation in Afghanistan is rapidly deteriorating. Reports pouring in from various sources indicate that leaders of al-Qaeda and the Taliban under Mullah Mohammad Omar have held a series of meetings in Pakistan to discuss how to disrupt Afghanistan's elections. In anticipation of the al-Qaeda attacks, all leading rivals to the Afghan Interim President Hamid Karzai, have asked for postponement of elections for at least a month.

Karzai, instead of campaigning for the elections, travelled to the U.S. to speak at the UN General Assembly, and to discuss strategies with President Bush and others. His first and only attempt to campaign outside of Kabul almost met with disaster last week, when his helicopter was attacked by rebel missiles. Karzai's security men turned the helicopter back to Kabul, possibly ending Karzai's chances for election.

General Yudhoyono Wins Philippines Presidential Vote

Former Gen. Susilo Bambang Yudhoyono soundly defeated President Megawati Sukarnoputri in the run-off election Sept. 29 for President of Indonesia.

General Yudhoyono, known as SBY, won over 60% in the still incomplete count—the first election which used a direct vote for the President, rather than for the party. The vote is a run-off from the July election in which Yudhoyono and Megawati finished first and second, neither winning 50% at that time.

Yudhoyono served as Coordinating Minister for Politics and Security under President Megawati (one of two powerful Coordinating Ministers, the other being for economics), leaving the post to run for President last year. He formed his own party, which did not fare so well in the parliamentary elections, but he swept the Presidential election based on his own reputation, and a generally unenthusiastic sense of Megawati's leadership over the past three years.

Yudhoyono rose to the position of general under President Suharto in the 1970s, '80s, and '90s. He was twice in the U.S.: one year at Fort Benning, Ga. in 1976; and one year in 1990 at the Army Command and General Staff College at Fort Leavenworth, Kan.

SBY and his running mate Yusuf Kalla, a member of former Suharto's Golkar Party, are not expected to change policies in any dramatic way.

Fitch Threatens Philippines: Impose Austerity, or Else

Philippines President Gloria Macapagal-Arroyo, who has thus far followed the IMF script on economic policies, has asked the Congress to pass a package of tax measures, which will raise annual government revenues by \$1.42 billion, and other austerity policies, warning that the country risks a debt default otherwise.

Anglo-American enforcer Fitch Rating's senior director for sovereign ratings, Brian Coulton, said on Sept. 20 that if Manila fails to pass these proposed measures, "I think there would be material implications to the ratings outlook." He said that Philippines' sovereign BB rating, already two notches below investment grade, was "predicated on expectations that this package is put in place." Coulton shamelessly displayed his thug tactics in a Sept. 20 Manila TV interview: "There would be a major shock to market expectations," if Congress failed to pass the revenue measures. "There's a strong element of urgency here. We need to see a good number of these taxes put in place and actually passed within the next couple of months."

A ratings downgrade would raise borrowing costs for the government, which relies on borrowing to pay the unpayable deficit.

Putin, Roh sign Multibillion-Dollar Trade Package

Meeting in a Moscow Summit Sept. 21-22, Russian President Vladimir Putin and South Korean President Roh Moo-hyun agreed to strengthen ties, to build a 'Comprehensive Partnership,' and stressed commitment to six-nation talks on North Korea's nuclear program.

Russia called on North Korea to resume talks, but Roh predicted that this were unlikely before the U.S. election Nov. 2. "The U.S. totally changed its North Korean policy after the last Presidential election, although they had nearly solved the problem under the Clinton Administration," Roh told Korean reporters. "It is natural that no one would dare to step forward, given the murky situation regarding the U.S. Presidential election," he said. Roh said other factors blocking

progress include U.S. leaders' "negative" view of North Korean leader Kim Jong-il. Bush last month criticized Kim for dictatorial, heavy-handed rule while starving his people.

Putin and Roh, along with top business leaders from both countries, signed contracts in a number of sectors that the Russian leader valued at over \$4 billion, including an investment of \$2.6 billion, by the South Korean firm LG International Corp., in a petrochemical and oil refining complex in Tatarstan. Korea's Samsung said it would invest \$500 million in a 10-year project for modernizing an oil refinery in the far eastern Khabarovsk. Eighty percent of the oil refined will remain in Russia while 20% would be exported to South Korea, China and Japan.

In their declaration, the two leaders pledged to "activate" work on linking Russia's Trans-Siberian railway to the Trans-Korean system that passes through North Korea, but this seems impractical for now, given the other developments reported here. The two sides also signed an accord for Russia to train and launch South Korea's first cosmonaut into space, and for Russia to provide assistance to South Korea for the development of its own space program.

U.S. Senator Demands U.S. Sanctions vs. Myanmar

Senator Mitch McConnell (R-Ky) introduced a resolution Sept. 20, urging the UN Security Council to immediately consider and take action to sanction Myanmar, claiming the need to "take appropriate actions to respond to the growing threat which Myanmar's ruling body, the State Peace and Development Council, poses to its immediate neighbors and the entire region."

The ultra-conservative Senator offered a litany of alleged crimes—from the spread of HIV/AIDS, to narcotics trafficking by ethnic minorities, to charges that Myanmar is seeking to purchase weapons from North Korea, China, and Russia—and zeroes in on the continued detention of National League for Democracy leader Aung San Suu Kyi. McConnell follows with a nasty attack on at least three European Union states—France, Spain, and Portugal—for supporting Myanmar's participation in the upcoming Oct. 8-9 Asian Europe (ASEM) meeting in Hanoi.

Supporting McConnell's rant: Senators Feinstein, McCain, Mikulski, Feingold, Leahy, and Dole.

Africa News Digest

Sudan's Ambassador Talks to *EIR* About Darfur

See this week's [**InDepth**](#) for *EIR*'s interview with Khidir H. Ahmed, the Sudanese Ambassador to the United States.

UN Security Council Passes U.S. Resolution Against Sudan

At an unusual Saturday session Sept. 18, the UN Security Council passed the U.S.-drafted resolution threatening Sudan with sanctions, by a vote of 11 to 0, with China, Russia, Pakistan, and Algeria abstaining. Chinese Ambassador Wang Guangya said afterwards that he had not vetoed the resolution, because China did not want to hinder the work of the African Union (AU). The resolution calls for a much larger AU monitoring force. But, according to *China Daily* Sept. 19, Ambassador Wang "served notice he would veto any future resolution that would impose sanctions. 'That is the message,' he told reporters." The Anglo-American press has so far has either suppressed or softened "the message."

Before the vote, U.S. Ambassador John Danforth viciously attacked Sudan and called the crisis in Darfur "uniquely grave. It is the largest humanitarian disaster in the world." Sudan's Ambassador Elfatih Erwa responded that the resolution—"the

worst form of injustice and indignity"—was instigated by a country that kills women and children in Afghanistan, Iraq, and Palestine, and commits torture in prisons in Afghanistan, Iraq, and Guantanamo. "It believes it is the only conscience of the world and indeed they have the divine right to decide the destiny of all peoples. The emperor has no clothes." Danforth countered that Erwa's broadside was an "unseemly and an uncalled-for attack on the United States"—and off the subject—by a government that attacked its own people with helicopters last month.

Speaker of the Sudanese Parliament Ibrahim Ahmed al-Taher warned Sept. 19 against an intervention in Sudan. "If Iraq opened for the West one gate of Hell, we will open seven such gates," he said, according to the Sudanese Media Center in Khartoum. "We will not surrender this country to anybody," he added.

The Sudanese Embassy in Washington later said Sudan is committed to the resolution, "even though it was unfair and unjust to Sudan," according to the Sudanese newspaper *Al-Sahafa*, the South African *Mail & Guardian* reported Sept. 19.

Sudanese Columnist: Anglo-American 'Heroes' Are the Villains

Referencing the "imperial powers" and Darfur, Abdul-Rahman El-Zuma wrote in his regular column in *Sudan Vision* Sept. 18, that "the 'heroes' are the 'villains' themselves. The 'rescuers' of the victims are in fact the butchers of those victims and the 'defenders' of human rights are actually the most ruthless to human rights." *Sudan Vision* is a Christian English-language daily published in Khartoum. El-Zuma's column of Sept. 18 was reprinted—as it often is—by the official Sudan News Agency (SUNA).

U.S. 'Observer' Eggs On Sudan Insurrectionists

The U.S. "observer" at the Sudan peace negotiations is pushing the insurrectionists to take tough positions, Sudan's Foreign Minister Mustafa Ismail charged Sept. 16, according to Xinhua news service of China. "The U.S. observer in the Abuja talks is close to the rebels and even calls on them to take tough positions," he told the press, after meeting with Arab League Secretary General Amr Moussa in Cairo.

NATO Moots Support for African Union Troops in Darfur

NATO has been considering since Sept. 9, a request from UN General Secretary Kofi Annan to provide planning, communications, and logistics for African Union (AU) forces in Darfur, Sudan, according to a Sept. 15 AP story datelined Brussels. Reporter Paul Ames writes that NATO Secretary General Jaap De Hoop Scheffer "raised the prospect of a NATO role, in a speech last week after a telephone discussion about Darfur with ... Kofi Annan." De Hoop Scheffer told a conference in Helsinki Sept. 9, "We have to think creatively [about] how we can work together. For example, by giving logistic or other assistance to the AU, if it would ask." He asked the 26 NATO nations "to respond quickly and positively," Ames writes. This is the first time the UN has come to NATO for help in an African mission.

Ames refers throughout to support for a "peacekeeping" mission rather than to an observer mission.

Louise Arbour—recently appointed as UN High Commissioner for Human Rights—departed for Khartoum and Darfur on Sept. 18 at Annan's request, and with Khartoum's permission, "to see what further measures can be taken by the UN to protect civilians from violence," according to Voice of America Sept. 18. (As Chief Prosecutor of the Rwanda genocide tribunal, Arbour suppressed the UN's own investigation when it indicated the guilt of Washington pawn Paul Kagame, now known to be guilty.) Juan Mendez, the UN genocide specialist, went with Arbour to Khartoum.

Meanwhile, State Department spokesman Richard Boucher confirmed that the U.S. has perhaps "two or four" troops in

Darfur supporting the AU military observer mission, AP reported Sept. 15. The U.S. has sent \$6.8 million to support an expanded AU deployment and has another \$25.5 million ready.

Arab League To Fund African Union Observers in Darfur

Arab League Secretary General Amr Moussa told the press in Cairo Sept. 16, that the League would help fund the African Union observers monitoring the ceasefire in Darfur. It will also help cover administrative expenses of the Sudan peace negotiations in Abuja, Nigeria.

U.S. To Lift Remaining Sanctions Against Libya

The Bush Administration lifted some of the sanctions against Libya Sept. 21, allowing commercial air service there for the first time since 1986. The U.S. also released \$1.3 billion in frozen Libyan assets, but Libya has to pay at least \$1 billion in compensation to 269 families of the victims killed in Pan Am Flight 103, which crashed over Scotland in 1988.

CNN reported Sept. 17 that the U.S. has now told Libya that it has met all its requirements for eliminating its WMD programs. The U.S. and Britain walked off with 1,032 metric tons of objectionable material.

The sanctions have been in place since the 1986 bombing of a Berlin disco in which Libya was blamed. Two U.S. servicemen and a Turkish woman died, and 229 were injured, including many Americans.

While the State Department acknowledges Libya's progress in ending support for the wrong terrorists, Libya will not be removed from the State Department's list of State Sponsors of Terrorism until some remaining issues are resolved.

Administration officials hope Libya's submission will be a model for inducing other "rogue" nations to come out with their hands up.

U.S. Trains African Special Forces Who Follow Orders

The Trans-Sahara Counter Terrorist Initiative (TSCTI) is training African Special Forces on a broad scale. Until recently, known as the Pan-Sahel Initiative, the TSCTI is nominally a U.S. State Department program to train units of the armies of Mauritania, Mali, Niger, and Chad to fight terrorist groups in the Sahel and the Sahara supposedly seeking refuge from more accessible locales. U.S. European Command does the training.

The main U.S. concern is supposed to be the Salafist Group for Preaching and Combat (GSPC), now only 40 in number in this location, which has reportedly identified itself with al-Qaeda. Of Algerian origin, it has been largely driven out of that country.

Major Suaoua Barmou Moussa of the Niger army told Reuters Sept. 23, "Our fear is that incursions by the GSPC will trigger fresh acts of rebellion such as those we saw a few years ago"—a reference to the so-called Second Tuareg Rebellion (1990s). The Tuareg (their real name is kel Tamashek) are semi-nomadic pastoralists and farmers spread over Mali, Niger, Chad, and other countries. "Experience has shown us that if we do not act in time, various armed groups could be called into working with elements of the GSPC," Moussa said.

EIR notes that the claim of kel Tamashek possibly working with the GSPC seems far-fetched. The kel Tamashek rebellion of the 1990s (partly funded by Libya's Qaddafi) was separatist, and not at all Islamist.

The real purpose of the TSCTI could be to nip another kel Tamashek rebellion in the bud. Some former kel Tamashek rebels declared such a new rebellion earlier this year, and there is a pattern of desertions of kel Tamashek officers from the Niger army who earlier fought in the rebellion. This endangers a major uranium mine near Arlit, operated by France, Spain, and Japan.

The TSCTI strategy is to give satellite intelligence to the newly trained special forces. Sergeant Amadou Ide told Reuters, "This battle is supported by Niger, but directed by the United States.... We have become international soldiers."

MI6 Chief Has Business Links to Coup Plotter

According to the *Sunday Times* of London Sept. 19, the former business partner of Simon Mann, the British mercenary who is accused of trying to lead a coup against the government of Equatorial Guinea, is the nephew of Sir Richard Dearlove, the former chief of MI6, Britain's foreign intelligence service. Justin Longley, whose mother is Dearlove's sister, was general manager of DiamondWorks, one of the key mining companies that created Executive Outcomes, the notorious mercenary company owned by Mann.

Although Longley is not linked to the coup conspiracy, he did work with Mann in mining, forestry, and other projects in Africa, including in Sudan, where a third person involved was Mark Thatcher. The son of former British Prime Minister Margaret Thatcher, was arrested in South Africa for allegedly financing the coup attempt.

Longley was in Sudan with Mann as recently as December 2002, when he identified himself as a "senior project manager" from "Logo Logistics," which is Mann's company that was key in the Equatorial Guinea coup plot.

Longley's mother is said to be good friends with "Ms. Africa Genocide" herself, Lady Lynda Chalker.

Longley was also manager of Oryx Natural Resources which the UN accused was involved with "blood diamonds" in the Congo, although it was never proved. Longley also worked closely with Greg Wales, who has also been accused of financing the Equatorial Guinea coup attempt. Longley once told the source of the *Times* article that Wales was a "spook," and had "worked for the CIA and the commercial wing of the Republican Party."

Longley now works for a company called Synchronmedia Ltd., which employs another relative of Simon Mann, by the name of Andrew Mann.

This Week in History

September 27-October 3, 1768

Samuel Adams Faces Down Gov. Hutchinson — British Troops Driven from Boston

In addition to his birthday on Sept. 27, 1722, Samuel Adams is associated with another event that occurred this week, on Oct. 1, 1768, when British troops were landed in Boston to counter demonstrations against the hated Townshend Acts. The royal governor, hearing that the troops were on their way, adjourned the Massachusetts legislature and ordered the beacon taken down from Beacon Hill, so that the Bostonians could not alert the countryside when the soldiers arrived to occupy

the city.

The precursor of the Townshend Acts was the Stamp Act, which Parliament passed in March of 1765, trying to raise revenue to pay off debts incurred during the French and Indian War (which the colonists had helped to win), and to aid the East India Company in expanding its empire. When the act was passed, a member of the British Parliament named Isaac Barre had predicted that "those sons of liberty" in America would fight the new law. Samuel Adams, who had been organizing Bostonians over for 20 years to resist any attempt by the British to revoke the few liberties which the colonists still enjoyed, adopted the name "Sons of Liberty" for his group of some 300 citizens. By October, Adams had also organized a Stamp Act Congress in New York to which nine colonies sent delegates.

While Patrick Henry was making dazzling and emotional speeches in Virginia against the Stamp Act, Adams was writing to other colonies and to British sympathizers, using reasoned arguments to show that the tax was illegal and unjust. This extensive correspondence evolved, in his 1772 proposal to the Boston Town Meeting, to become the Committees of Correspondence, which were established in each of the colonies. Under intense pressure, Parliament repealed the Stamp Act in early 1766, but the Townshend Acts, which levied a tax on paint, tea, lead, paper, and glass, soon followed in 1767. This time, Adams used the organization he had already built to launch a campaign to keep British-made goods out of the Massachusetts Bay Colony.

This was too much of a threat to the East India Company's looting policies, so a total of 4,000 British troops were sent to Boston, one for every adult male in the city. The city's Tories were afraid to open their homes to the troops, and so the soldiers pitched tents on Boston Common, and were quartered in Faneuil Hall and unused warehouses. As a deliberate provocation, they set up cannons and aimed them at the Old State House, where the Massachusetts legislature met, and at other strategic spots. They also harassed Boston's citizens by stopping them on the street and demanded to know where they were going.

This created an explosive situation, and Samuel Adams and the other patriots worked constantly to calm things down. However, things went from bad to worse. In September of 1769, James Otis, a prominent patriot, was attacked with swords in the British Coffee House and given a head wound that affected his sanity. Then, in early 1770, a group of young boys put up an "Importer" sign in front of the home of a merchant who refused to honor the boycott against British goods. When he tried to take it down, they pelted him with stones, so he got his gun and fired at them, killing a 12-year-old boy.

Not long after the boy was buried in a funeral attended by most of Boston's citizens, a clash between a group of British troops and a mob hurling snowballs and ice resulted in the troops firing their muskets and killing five Americans. At a very large Boston Town Meeting the next day in Faneuil Hall, the citizens voted that all the soldiers must leave Boston. They appointed a committee, headed by Samuel Adams, to present Gov. Thomas Hutchinson of the demand. When the committee met with Hutchinson, he declared that he could send away the regiment that had been involved in the shooting, but that permission to send away the other regiment would take some time, because it had to come from General Gage in New York.

By the time the committee returned with the reply, the town meeting had grown to 3,000 people, and had adjourned to the larger Old South Church, where the huge gathering spilled out into the street. When they heard Hutchinson's reply, the citizens labelled it "unacceptable," and again sent Adams and the committee to meet with the governor. This time, Adams pointed his finger at Hutchinson and said, "If you have the power to remove one regiment, you have power to remove both. It is at your peril if you refuse. The meeting is composed of 3,000 people. They have become impatient. The whole country is in motion. Night is approaching. An immediate answer is expected. Both regiments or none!"

Adams turned to another member of the committee, who said that people would come in from the neighboring towns, and that there would be 10,000 men who wanted to remove the troops. In a letter he wrote afterward, Adams said that the

governor turned pale and that his knees trembled. Hutchinson signed an order to remove the troops, and when Prime Minister Lord Frederick North heard what had happened, he called the departed troops the "Sam Adams' Regiments," a name that received wide usage for many years. He also referred to the American patriots as "Adams' crew."

Ironically, the successful outcome of the confrontation led to three years of relative calm, when Samuel Adams had difficulty convincing people that it was only the lull before the storm. He told his daughter Hannah that "I am in fashion and out of fashion, as the whim goes. I will stand alone." And he continued writing and organizing the Sons of Liberty until the passage of the new Tea Tax in 1773 reminded the Bostonians that he had been right. The new tax measure offered a cut in the price of tea by half, while maintaining the right of the East India Co. to tax the colonists; the British counted on greed to induce the Americans to substitute a bargain for their insistence on having some measure of control over the government that supposedly represented them. More tellingly, the salaries of many public officials would be paid by the revenue from the tea sales, thus wedding them to the policies of the East India Company, not the public good.

One of Adams's newspaper articles, in the *Boston Gazette* of Oct. 14, 1771, demonstrates his commitment to fighting for both the past and the future good: "The liberties of our Country, the freedom of our civil constitution are worth defending at all hazards: And it is our duty to defend them against all attacks. We have receiv'd them as a fair Inheritance from our worthy Ancestors; They purchas'd them for us with toil and danger and expence of treasure and blood; and transmitted them to us with care and diligence."

"It will bring an everlasting mark of infamy on the present generation, enlightened as it is, if we should suffer them to be wrested from us by violence without a struggle; or be cheated out of them by the artifices of false and designing men. Of the latter we are in most danger at present: Let us therefore be aware of it. Let us contemplate our forefathers and posterity; and resolve to maintain the rights bequeath'd to us from the former, for the sake of the latter."

"Instead of sitting down satisfied with the efforts we have already made, which is the wish of our enemies, the necessity of the times, more than ever, calls for our utmost circumspection, deliberation, fortitude and perseverance. Let us remember, that 'if we suffer tamely a lawless attack upon our liberty, we encourage it, and involve others in our doom.' It is a very serious consideration, which should deeply impress our minds, that millions yet unborn may be the miserable sharers in the event."

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