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## **This Week You Need To Know**

**WARNING FROM LYNDON LAROCHE**

### **Cheney's 'Guns of August' Threaten the World**

**by Jeffrey Steinberg**

Lyndon LaRouche, on July 27, issued an international alert, covering the period of August 2005, which is the likely time frame for Vice President Dick Cheney, with the full collusion of the circles of British Prime Minister Tony Blair, to unleash the recently exposed plans to stage a pre-emptive tactical nuclear strike against Iran.

The danger of such a mad, Hitler-in-the-bunker-style aggressive military action by the Cheney circles would be even further heightened, were the United States Congress to stick with its present schedule, and go into recess from July 30 until Sept. 4. With Congress out of Washington, and with President George W. Bush on extended vacation in Maine and Texas, the Cheney-led White House would almost certainly unleash a "Guns of August" attack on Iran, LaRouche warned.

Senate Minority Leader Harry Reid (D-Nev.) has called for the Senate to remain in session for much of August—at least until the stalled Defense Authorization Bill is thoroughly debated and passed.

On July 27, after the Senate defeated a cloture vote which would have blocked a series of amendments to the bill, Senate Majority Leader Bill Frist (R-Tenn.) had indicated that he would hold the defense bill until September, a move that Reid strongly opposed.

The 50-48 defeat of the cloture (60 votes were need to shut down the debate and freeze any new amendments), in which seven Republican Senators voted "no" along with all but three Democrats, represented another strategic defeat for Cheney et. al. Thirty amendments are pending, including several that would freeze base closings until all American troops are home from Iraq; would give the Congress clear jurisdiction to oversee interrogations at places like Guantanamo Bay and Abu Ghraib; and would set uniform codes for interrogations, under the Geneva Convention. The President has threatened to veto the bill if it passes with any of these amendments.

Sources close to Senator Reid indicated that Reid's concerns go beyond the issue of the Defense Authorization Bill per se, and reflect his own recognition that something has gone extremely afoul at the White House....

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## **Latest From LaRouche**

**Lyndon LaRouche on 'The LaRouche Show'**

## 'Silencing Cheney's Guns of August'

*Lyndon LaRouche made a special two-hour appearance on EIR's The LaRouche Show on July 30, to mobilize against the threat of what he identified as Dick Cheney's "Guns of August," the threat of a nuclear attack on Iran. (For the complete audio archive: [www.larouchepub.com/radio/index.html](http://www.larouchepub.com/radio/index.html)) The program was hosted by LaRouche's Western States spokesman. We present here the first question and answer.*

*Harley Schlanger:* Well, let's begin with the immediate danger, which you identified in a release the other day, as "Cheney's Guns of August Threaten the World." This came out after a leak appeared in the *American Conservative* magazine. I just want to read a couple sentences from this leak, because this is what you responded to. It's from Philip Giraldi, a former CIA officer, who wrote:

"In Washington, it is hardly a secret that the same people in and around the administration who brought you Iraq, are preparing to do the same for Iran. The Pentagon, acting under instructions from Vice President Dick Cheney's office, has tasked the U.S. Strategic Command, STRATCOM, with drawing up a contingency plan to be employed in response to another 9/11-type terrorist attack on the United States." And the little missive ends with the following: "As in the case of Iraq, the response is not conditional on Iran actually being involved in the act of terrorism directed against the U.S. Several senior Air Force officers involved in the planning, are reportedly appalled at the implications of what they are doing, that Iran is being set up for an unprovoked nuclear attack. But no one is prepared to damage his career by posing any objections."

Lyn, how did you respond to this?

*Lyndon LaRouche:* Well, I didn't respond just to that. I was involved in an investigation. And I went to a number of sources, which I didn't identify later, because of the nature of the discussion. But I went to people in the intelligence community, some in the diplomatic community circles, and also into the Congress, into the Senate in particular, to get their view on this matter. As a result of this, I had to conclude, knowing what I knew on background, that actually Cheney was headed to go to war, probably during a period of August recess of the Congress—that's the month of August—hmm? now entering. And I understood the reason why.

I also understood, from my conversations with these various circles, directly and indirectly with whom I consulted, that none of them were going to blow the whistle. But the only way we're going to stop this thing, is by—somebody had to blow the whistle. And, it's not entirely unusual in my case, I was the one to whom the fingers pointed: *You* (me, that is) *blow the whistle*.

I did.

And I think I probably should have, for other reasons, not only because I was by a process of elimination the only one in this U.S. circle who was prepared to actually blow the whistle the way I did, but because I have certain special qualifications, which other people in the intelligence community and in the Congress and the Senate, lack. And, understanding some of the background, some of the reasoning, why a Vice President Cheney, the thug, would actually try to push this, like Hermann Goering did in pushing Hitler into the dictatorship with setting fire to the Reichstag—with trying to pull this stuff: with cooperation with British Prime Minister Tony Blair, who has obligingly orchestrated a terrorist incident, spreading internationally, out of London—out of London itself—which is actually the ongoing precedent under which Cheney, under his specifications, as reported by these sources, would actually launch World War III.

And that's what it is: Nuclear World War III.

An attack on Iran of this type, the type that Cheney has sent to STRATCOM to carry out, that kind of attack would not stop in Iran. And a nuclear attack of that type, in particular, would not stop anywhere. That is Hell on Earth.

But let's go into what the reasoning is behind this.

## Could Cheney Do It?

There are several precedents for this, which have to be looked at, to understand how in modern European history, things like this can happen. In other words, how, in the history of the United States and in modern European history, can what Cheney is up to doing—starting nuclear World War III—how could that happen, in this way? Not merely, could Cheney do it? Well, he's an idiot, he's a pathological figure. Yes, he could do it, as a person. But, how could he get by with trying to implement it? Why wouldn't the checks and balances in the system prevent him, and say, "Throw that guy out, now! Frog walk him into retirement!"

So, it didn't happen. All right, why not? Well, look at the precedents: You have, the most famous precedent is 1931-1933. That is the period from the installation of the Bank for International Settlements, the Basel-based bank, which is a part of the whole Young Plan negotiation: This establishment of the Bank for International Settlements set the stage for bringing Hitler into the Chancellorship in Germany. It took a couple of years to do that, but then, in January 1933, Jan. 30, Hitler was brought into the Chancellorship. That didn't make Hitler a dictator. That made Hitler a Chancellor. Many fools in Germany didn't think that was serious. There were fools in the top German military, some of whom later died as a result of the July 1944 events; who died because they walked away from Berlin, and away from the existing Chancellor [in 1933], at the time that the existing President of Germany, Hindenburg, was about to put Hitler into office. They walked away! And they died, as a result of what they did, many of them.

Then, when Hitler was appointed Chancellor, many of the Germans, including a lot of the so-called "left," the Social Democratic and other left, said, "Don't worry, Hitler's going to be a joke, he's going to be gone soon. Everything's going to be fine." Then, Goering, who was then the head of the German state of Brandenburg, used his position to set fire to the Reichstag. The burning of the Reichstag, at nighttime, was used as a pretext for establishing a dictatorship, very much in the same spirit that happened on Sept. 11, 2001, and what is projected now: That there is a project, essentially, of repeating 9/11—and that is in the discussion! They're saying, in the discussion, if an event happens in the United States, which echoes 9/11, then we're going to drop nuclear weapons on Iran, and a lot of targets in Iran. That's the Hitler precedent.

You also had a similar situation which is even more relevant, in 1939. When, just before Sept. 1, the Hitler government set into motion a series of operations blaming Poland for an act of terrorism, and thus starting the invasion of Poland on the pretext of Polish terrorism. The terrorist attack was actually done by German agents, who were set up, as patsies, to blame Poland for a war-like attack on Germany. Same kind of thing.

A terrorist attack, probably orchestrated this time from London, by the Blair government—or people whom the Blair government is covering for—to set up a situation in which the United States, using Israeli assets, which will comply not because they agree, but because they feel they have to go along, as well as the British, for setting up what would be a world dictatorship, comparable to the Hitler dictatorship. That's what's in process.

Now, this is not unprecedented. We had—for example, let's take two world wars: First of all, let's take World War I. Now, World War I was set up by the King of England, Edward VII, who, prior to his death in 1910, set into motion, both earlier as Prince of Wales, and later as King, the operation which became World War I. Now, there were incidents and provocations, such as the Balkan war provocations, used in this. But the intention was to start World War I! They may not

have intended fully what happened as a result of starting it, but they started it. And it was done on the initiative of a then-deceased Edward VII.

Now, why was it done? It gives you some insight into what's going on now. When Abraham Lincoln defeated the Confederate agents, that is, the Confederacy itself, which was a British operation, set up to destroy the United States, by forcing it to divide between North and South and other things, to create a *division* of competing states where a United States stood, and have a sort of a perpetual state of warfare between the Confederacy and the remains of the Union. That was the plan. It was done from London. It was planned and orchestrated by Lord Palmerston, and also, in a sense, by Jeremy Bentham before then. And Palmerston was actually a student and protégé of Jeremy Bentham, the man who controlled the traitor Aaron Burr.

So, this was set up as an operation from about the 1820s into the actual outbreak of the Civil War. Now, at the end of the Civil War, where the United States had had a victory over Britain, over Lord Palmerston, by defeating Palmerston's puppet, the Confederacy, and also causing the defeat and expulsion of the dictator of Mexico, the terrorist-monarch who was sent in, the Hapsburg Maximilian.

So, this established the United States as a world power that could not be attacked with impunity in the same way that had been done by the British, before. So, at that point, in 1876, after about ten years of peace following Lincoln's victory over the Confederacy, the United States had emerged as such a conspicuously great power, as the model for agro-industrial society. That in 1877, you had a series of transformations of government policies: Bismarck in Germany—the Bismarck reforms, including the social welfare reforms—were done under the direct influence of the chief economist of the United States, who was the world's leading economist at that time, Henry C. Carey. And Carey, personally, in Germany was involved in the orchestration of the setting up of these reforms, by Bismarck.

You had a similar thing, under Carey's direction, in Japan, with the so-called Meiji Restoration, which established Japan as a modern industrial power. Same kind of thing. You had similar things in France, after Napoleon III, the stooge for the British, was dumped. You had similar things in other parts of the world.

So, suddenly the American System was becoming a power, in Russia and elsewhere, on the continent of Eurasia. And the British Empire was now being challenged—by a new system. Not the British System, not the so-called "free trade" system, but the American System of political-economy, as associated with the name of Alexander Hamilton, our first Treasury Secretary.

So, the concern was, the British had to find a new way to defeat the influence of the American System of political-economy. Various tricks of subversion were used. We had Lincoln's successor, was really a scoundrel, [Andrew] Johnson. And that ruined things. He was sort of the Harry Truman of this period—another scoundrel. But, in any case, we went through great internal disruptions, under the influence of people in the United States, banking groups and others, who were corrupted by their association with the Bank of England, such as the New York financial crowd.

But, nonetheless, we remained the American System. We remained a great power, despite all the disruptions we suffered during that period. And then, we had the assassination of a President [McKinley]. And this brought into power a Vice President, Teddy Roosevelt, who was a real scoundrel. His uncle was the chief of intelligence for the British-controlled Confederacy. And Teddy Roosevelt was trained by his uncle, the head, during the Civil War, of the British intelligence service for the Confederacy. So, he wasn't a good guy.

And apart from the Taft intervention, intermittent, Woodrow Wilson was also another Confederate scoundrel: He was an enthusiast for the Ku Klux Klan, in particular. And he used his enthusiasm—from the White House!—to *promote* the revival of the Ku Klux Klan in the United States. Done by the President of the United States! Woodrow Wilson!

Now, Coolidge and Hoover weren't much better.

## Teddy Roosevelt: British Agent

So, now we have this situation: You had, essentially, from the assassination of McKinley, in the interest of Teddy Roosevelt—and I say "the interest of Teddy Roosevelt" quite advisedly: if you look at who the assassin was, who sponsored him, how he got into the United States, and how he got into Buffalo to do that job. Until Franklin Roosevelt, the United States was being self-destroyed under British influence. Roosevelt, who was consciously a descendant of his ancestor Isaac Roosevelt, who was a close ally of Alexander Hamilton—Franklin Roosevelt who maintained the tradition of Isaac Roosevelt and Alexander Hamilton—became President.

Now, he screwed everything up in terms of the British plans: The British at that time, had a plan for going to World War II. This plan started back during the 1920s, at the time there was a negotiation, a naval power treaty negotiation among the British, Japan, the United States, and others. And the intent at that time, was to get the United States Navy to be cut down to a size which was pleasurable to the British Navy, and to Britain's ally against the United States at the time, Japan. It was at this time, that Japan adopted the policy, in alliance with the British, for the intended attack on Pearl Harbor, by Japan naval forces. So, in the 1920s, the early 1920s, this has already occurred.

You have the famous Billy Mitchell case, in the middle of the 1920s, where Billy Mitchell was experimenting, using large freighters as landing bases, for aircraft-based attacks on naval forces. Now, at the trial of Billy Mitchell, which occurred later, for his doing this, he defended himself, saying this policy was necessary to defend the United States against an attack on Pearl Harbor by Japan naval forces.

Now, go back, look up Billy Mitchell and look up the trial of Billy Mitchell, and you will find in some of the records that are published, this thing is reported. But look at the date. And look at the issue. And look at the fact that Gen. Douglas MacArthur, who was at the trial, later said, that he regretted his role in the Billy Mitchell case.<sup>1</sup>

All right, so, at that point, going into the early '30s, you had people like the liberals in the United States, who were enthusiasts for Benito Mussolini. Anyway, so, they and the British were all for a Hitler project; they were for a Mussolini project—some of them objected to Hitler, because of his anti-Semitic policies, which Mussolini did not have at that point.

But, nonetheless, the British monarchy was committed to supporting Hitler. And not only the British monarchy, but many bankers in New York, including the House of Morgan, and Harriman, for whom Prescott Bush, the grandfather of our incumbent President, was chief official. And Prescott Bush, in conjunction with the Bank of England, through Brown Brothers (which was Brown Brothers Harriman at the time), supported the Bank of England head in putting Hitler into power in Germany.

Now, in the middle of all this, there was the discovery, after Hitler was in power, that Hitler was negotiating with the Soviet Union. And that Hitler's negotiation with the Soviet Union was tending to get the German military to push Hitler to attack westward first, rather than eastward first. And on this issue, and the probability that the German institutions would succeed, in pushing Hitler into a western attack first, many of the people, including people such as the father of President Kennedy, were supporters of Hitler through Goering at that point—and really, up to the edge of World War II, which is why Roosevelt fired him, from his position as Ambassador to London.

But there was a division in the British, which became the Churchill faction—Chamberlain was sort of on the other side, the "soft on Hitler" side—to break from Hitler, on the basis of a threat that an initial military attack to the West from

Germany, before attacking the Soviet Union. On this issue, more and more people in the financial community who had supported Hitler, in the early part of the 1930s, turned away from Hitler as the war progressed, particularly in 1940, when the Dunkirk issue was posed. And Churchill, preemptively, announced that the British Navy would go to Canada, if there was a direct invasion of the British Isles by German forces. And that was the turning point in the whole process, under which the U.S. commitment to an alliance with Britain against Hitler, changed the course of history. Because, Hitler would otherwise have succeeded in setting up a world power for Nazism. It was the U.S. support for Stalin, in arming the Soviet forces for, for example, Stalingrad, and other things of that sort; and the victory at Midway over the Japanese, which established the ability of the United States and its allies to conduct a two-front warfare, which ultimately defeated Hitler.

So, that was the case. But that is part of the history. So, when you look back to 1939, where you have this secret intelligence operation, orchestrated by German services for a provocation, which was used as the pretext for Hitler's invasion of Poland, which started World War II, that, again, is the kind of thing we're looking at today, in what Cheney has threatened. That is, a group of forces, in this case intrinsically financier interests, which control governments, provoke governments to wars, as a way of dealing with a financial-economic, or related challenge their power.

Go back to earlier. Go back to earlier, before Cheney. Go back to 1763, and seven years before that: The British East India Company had provoked a war, which has many similarities—and not accidentally—to the war on Continental Europe, called the Seven Years' War. A Continental Europe which established British supremacy as an imperial force of the British East India Company—not yet the British monarchy, but the British East India Company—as a supreme force; and who gradually took over more and more of Europe, dominated it, and established what is still the present form of the international monetary system, that is the floating-exchange-rate monetary system, today.

## A General Breakdown Crisis

And that's what the issue is. The issue is, that groups which control Cheney, such as the groups represented by Cheney's master, George Shultz, the man who put together the team under Cheney's direction, which became the George W. Bush government, that this crowd has reached the point, where the system which they control, the present international floating-exchange-rate monetary system, is now in an advanced stage of disintegration. It is on the verge of a catastrophic, final collapse. Not a depression, but a general breakdown crisis of the entire world system. At this point, they are impelled to go to war, to set up a kind of dictatorship, under which they can control, by dictatorial methods, the effects of a general collapse of the world financial-monetary system.

So, that is the precedent built into the structure of modern European civilization, of these three general wars on the continent of Europe, leading to a fourth one today, which is broader. And that's where we stand. And that's what I understood clearly, as the implication of the information I had received and corroborated on Cheney's plan to go to war, probably during August, using an August recess for that purposes:

Again, the famous "Guns of August," at a time when Europe was "on vacation," so to speak—morally, intellectually, and otherwise, in the past. For the third time now, forces of great power are aiming to use the month of August, for incidents which will set off *world wars*. That's where we're at right now. I recognize that, because I understood more clearly that anybody else, exactly what the implications are, of this present international monetary-financial crisis.

1. MacArthur was one of the five judges in Mitchell's court martial. He later said, "When the verdict was reached, many believed I had betrayed my friend.... Nothing could be further from the truth." MacArthur also said that had Mitchell "lived through World War II, [he] would have seen the fulfillment of many of his prophecies of air warfare."

# InDepth Coverage

Links to articles from

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## Feature:

### **WARNING FROM LYNDON LAROCHE**

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- **CONPLAN 8022: Nuclear Pre-Emptive War Doctrine**

Details of a new U.S. 'global strike' plan appeared in the Washington Post on May 15, 2005, in a column by William Arkin, a former Army Intelligence analyst. EIR, as we reported in our May 27 issue, interviewed several senior U.S. intelligence officials, who confirmed the essential features of Arkin's report.

#### **'The Guns of August: Hitler in the Bunker'**

*Lyndon LaRouche was interviewed on July 28 by Utah radio host Jack Stockwell, on Salt Lake City's KTKK radio station. Here are excerpts.*

**Stockwell:** My guest, ladies and gentlemen, Lyndon LaRouche, hasn't been on the show in a long time. This may be a fortuitous day for you to be here. You were on my show on the 11th of September, 2001. And the attacks on the World Trade Center began prior to the show, but we discovered what was going on while you were on the show. You made some interesting remarks at that time, that turned out to be very prophetic, and without your knowing anything other than what we knew as far as news coverage was concerned—very prophetic statements.

## International:

### **HELGA ZEPP-LAROCHE'S CAMPAIGN PLATFORM**

#### **How To Save Europe From Its Life-or-Death Crisis**

Helga Zepp-LaRouche, Chancellor candidate of Germany's Civil Rights Movement Solidarity party (Bu"So), released the campaign platform of her party on July 22, as part of the drive toward the German Federal elections called for Sept. 18. We reproduce the full document below, because of its significance as a model for what European leaders should be doing in order to meet the challenge of the present crisis. The full title is: 'Back to the D-Mark for a Policy of Directed Growth! Germany's Economy Must Grow Again! For a New, Just World Economic Order!'

### **Berlin Seminar: Mohammad El-Sayed Selim**

#### **Rising Above Regional Turmoil: Gulf States and the Eurasian Land-Bridge**

Dr. Mohammad El-Sayed Selim is Professor of Political Science at the Universities of Cairo and Kuwait. He presented this paper to the June 28 evening panel of EIR's June 28-29 Berlin seminar. The seminar brought together distinguished representatives of 15 nations, with Lyndon and Helga LaRouche, to discuss what had to be done to address the crisis of the world financial system.

**Lyndon H. LaRouche, Jr.**

## **The Danger of a U.S. Strike Against Iran**

After Dr. Selim responded to a question concerning the possibility of a military attack by the United States against Iran, Mr. LaRouche added the following comment: One thing that I've been trying to teach people a long time, about their own minds and other people's minds, is that most people live in a fishbowl kind of situation, where they have a mixture of certain false and relatively true axiomatic assumptions about what is possible. And therefore, they don't mentally live in the real world. They live in a synthetic world, which is composed of working assumptions, some of which are true and some of which are false.

## **Brawls in Britain Over Iraq/Terror Link**

**by Mary Burdman**

Since Prime Minister Tony Blair launched his evangelical crusade to join the George W. Bush Administration in invading Iraq, the war and the campaign of deception used to justify it have divided Britain, including Britain's intelligence and military services. The controversy over the Blair government's notorious 'sexed up' dossier on Iraq of September 2002, which was used to ride roughshod over the broad national opposition to the war, has led to one revelation after the other of the policy fights in Britain.

## **Afghan Opium Explosion Worries Asian Leaders**

**by Ramtanu Maitra**

The newly elected Kyrgyzstan President Kurmanbek Bakiyev and Uzbekistan President Islam Karimov for the first time publicly identified the dangerous alliance of drug traffickers and religious agitators, based in the U.S.-controlled Afghanistan, as a major threat to nations across Central Asia.

# **Economics:**

## **U.S. Auto Supplier Sector In Worst Shape Ever**

**by Richard Freeman**

The shake-out of General Motors and Ford Motor during 2005 has caused the most violent and widespread dismantling of the U.S. auto parts supplier sector in the more than centuryold history of the automobile. The supplier sector represents the 'undercarriage' of the auto industry: It produces the brakes, electrical wiring, shocks/struts, seats, and other vital components.

## **China's Controlled Reform To Keep Currency Stable**

**by Mary Burdman**

The People's Bank of China, the nation's central bank, ended the peg of the renminbi (RMB) to the U.S. dollar and adjusted the RMB-dollar exchange rate by 2.1%, to 8.11 to the dollar, on July 21. The RMB had been directly pegged to the dollar since 1995. The PBOC announcement, issued late in the day from Beijing, said that beginning July 21, 'China will reform the exchange-rate regime by moving into a managed floatingexchangerate regime, based on market supply and demand, with reference to a basket of currencies.' The aim of the PBOC is to maintain a 'basically stable' RMB exchange rate, 'so as to promote the basic equilibrium of the balance of payments and safeguard macroeconomic and financial stability.' In a press statement July 19, after a two-day meeting in Hohot, Inner Mongolia, of the PBOC's head officers and provincial branches, the Bank announced it would keep the RMB rate 'basically stable at a reasonable and balanced level' in the second half of 2005.

## **Food Cartel Imports Shrink Another U.S. Crop's Production: Apple Orchards**

**by Marcia Merry Baker and John Hoefle**

Cartel concentration, outsourcing, and 'cross-sourcing' of production (between the United States and Asia) is shrinking American production of apples—more rapidly since 2001— and reducing the once-rich variety of apple types grown in the country. Like other examples, this one, shown in new time-lapse computer animation, shows the taking down of high-technology agricultural production by the plague of globalization.

## **Last Chance To Stop Avian Flu Pandemic?**

**by Colin Lowry**

Events in Asia over the past few months have put the world on a short fuse toward the explosion of a global influenza pandemic. Avian influenza



has broken out in several new places, and has again infected another species (pig), which could act as a carrier and mixing vessel for the recombination of a hybrid virus that can easily infect people.

## **Andean Presidents End War on Drugs**

**by Luis Va'squez**

The heads of state of the South American Andes, gathered at the Andean Community of Nations Presidential summit, signed a so-called Lima Act on July 18, in which they approved, according to Peruvian President Alejandro Toledo, 'a change in strategy in the current war against drugs.' This 'change of strategy,' in effect, signifies abandoning the policy of 'crop substitution and forced eradication,' to put emphasis instead on the lyrical-sounding 'alternative development.' Under the reign of the International Monetary Funddictated free-trade system that is today destroying the region, this can only mean abandoning the fields to production of coca—the raw material for cocaine. Currently, the Andean region produces 97% of the coca leaf used by the world cocaine trade.

# **National:**

## **Bipartisan Revolt in Senate Defies Cheney Thuggery**

**by Edward Spannaus and Nancy Spannaus**

A bipartisan group of Senators handed Vice President Dick Cheney and company a major defeat on July 26, when 48 Senators voted against ending debate of the Defense Authorization bill. Senate Republican Leader Bill Frist then pulled the entire defense bill off the Senate floor, rather than allow Republican-sponsored amendments to be adopted which President Bush had threatened to veto—a threat which Cheney had personally delivered in a meeting with senior Republican Senators.

## **From the Congress**

## **Intelligence Agents Expose Crime Behind The Plame Leak**

The Senate Democratic Policy Committee and Democratic members of the House Government Reform Committee held a forum on the Valerie Plame leak investigation on July 22, which featured leading members of the intelligence community, who spoke on the implications and dimensions of the crime. The leak of the identity of undercover CIA agent Valerie Plame, wife of former Ambassador Joe Wilson, is the subject of an ongoing Federal grand jury. Here are major excerpts of the event, which was given short shrift in the print media. Subheads have been added. After an introduction by U.S. Sen. Byron Dorgan (D-N.D.), Sen. Charles Schumer (D-N.Y.) provided a brief opening statement, identifying the scope of the crime...

## **Constitutional Opposition Grows To Rumsfeld Base-Closing Plans**

**by Carl Osgood**

Developments over the past two weeks indicate Secretary of Defense Donald Rumsfeld's base-closing plan will not emerge from the Base Realignment and Closure (BRAC) Commissions' deliberations without substantial changes.

- **Mississippi Officials Blast DoD Overreaching**

**by Judy DeMarco**

Excerpted here are their major arguments opposing Keesler Air Force Base's proposed realignment by 'disestablishing the inpatient mission at the 81st Medical Group, converting the medical center to a clinic with an ambulatory surgery center.' Keesler's medical center, located on the Gulf Coast of Mississippi, is the second largest in the entire Air Force. The Department of Defense (DoD) justifies the realignment by citing reduction of excess capacities and relocation of personnel to activities with higher military value. DoD claims that local civilian medical networks for inpatient services, and Veterans Affairs (VA) hospitals within a 40mile radius, can supply the services currently provided by the Keesler facility. Testimony soundly refuted this, and demonstrated the DoD's flagrant violations of the BRAC rules.

- **Senators Tell Bush:**

## **Hands Off VA Hospitals**

**by Patricia Salisbury**

On July 19, the Senate Appropriations subcommittee on Military Construction and Veterans Affairs put the Bush/Cheney Administration on notice, that the Administration policy of shutting down or scaling back vital Veterans Affairs (VA) hospitals and other facilities

around the country, will not go forward unchallenged. Eighteen VA facilities nationwide are currently under threat, as part of the 'Capital Asset Realignment for Enhanced Services' (CARES) process, which is evaluating such extreme measures as shutting down the premier VA hospitals in Manhattan, New York, and Waco, Texas.

### **Interview: Victor Marchetti**

### **Intelligence Reorganization Is a Tough, Uphill Battle**

Victor Marchetti served for several decades in the CIA, including as executive assistant to the Deputy Director. Several years after he left the Agency, he wrote *The CIA and the Cult of Intelligence* (New York: Alfred A. Knopf, 1974), one of the most widely read and important books critiquing the intelligence community at that time. Jeffrey Steinberg interviewed him on July 20.

## **Investigation:**

### **THE NAZI RAT-LINES**

### **Time to Rid America Of the 'Dulles Complex'**

**by William F. Wertz, Jr.**

Introduction: Setting the Stage On Aug. 10, 1944, about two months after the June 6 DDay landing of the Allies in Normandy, France, less than a month after the unsuccessful July 20 attempted assassination of Adolf Hitler, and eight months before the death of U.S. President Franklin D. Roosevelt on April 12, 1945, a secret meeting took place in Nazi-occupied Strasbourg, France at the plush Maison Rouge Hotel, to plot the survival and eventual resurgence of the Nazi apparatus in the post-war period.<sup>1</sup> The meeting was organized by Martin Bormann, the head of the Nazi Party Chancellery, who became Hitler's designated successor.

## **U.S. Economic/Financial News**

### **Merrill Lynch: Housing Market 'Over-Leveraged'**

Real estate has accounted for 70% of the rise in U.S. household net worth since 2001, and over 40% of the private-sector jobs created since 2001 have been housing related, according to a recent study by Merrill Lynch economist David Rosenberg. Calling the housing market "over-leveraged," the study says that the subprime market has accounted for 28% of new mortgage funding in the past six months, versus 5% five years ago; that an estimated 42% of first-time buyers made no down payment on their home purchases last year; in the hottest price areas, adjustable-rate mortgages (ARMs) now account for over 50% of new mortgages; over 60% of new mortgage loans in California this year have been interest-only loans or option ARMs; and the Fed's loan-officer survey shows that mortgage standards "have eased a massive 13 percentage points" in the past three years.

Under the heading "Affordability Stretched," Rosenberg notes: The FDIC reports that 38 of 50 states in the past year have seen home-prices increase far faster than personal incomes, and grow 6.7% faster nationwide; from 1955 to 1995, home prices rose with inflation, or 0% in real terms, while since 1996, home values have risen 45% in real terms, creating a \$5 trillion increase in "housing-bubble wealth"; over a third of homeowners are spending over a third of their income on monthly mortgage payments, and 12% are devoting over half their income; homeowner affordability is now at a 13-year low and the total household debt-service ratio in the first quarter hit a peak 13.4%; housing starts at 2 million units a year are now outpacing the 1.6 million of new household formations, with the excess supply suggesting speculative buying.

Under the heading "Speculation Rampant," the study says: National Association of Realtors data show that 23% of the home sales in the last year "were investor (read: speculative) based," and another 13% were second properties (another proxy for speculative buying); units sold but not yet started, are up 47% year over year, a record high; and nearly one in four Americans think it is a good time to buy because it's a good investment and/or prices will continue to appreciate. Rosenberg calculates that a decline from double-digit growth to no growth would trim at least 1% from GDP next year.

On the latter point, Abelson noted that such a "drastic change" in housing values "would reverberate through the length and breadth of the economy, and its real effects would be as profound as they are unfathomable."

## **Bush's Pension 'Reform' Will Raise Employer Costs**

New figures from the Pension Benefit Guaranty Corp. (PBGC) indicate that President Bush's so-called "pension reform" will significantly increase costs to employers, the *Washington Post* reported July 29. Rep. George Miller (D-Calif) released figures obtained from the PBGC, under the Freedom of Information Act, that show Bush's plan would require employers nationwide, over the next ten years, to contribute \$430 billion more to their pension funds, than under current law. In addition, it would increase their premium payments to the PBGC by about \$3.6 billion annually.

"It's a stunning increase," Miller said. "Do these increases cause companies to want to terminate ... in whatever fashion, their defined-benefit pension plans? Lawmakers don't have a clear picture of the true impact of the proposed changes. We are rushing forward with this [Boehner/Johnson] legislation ... without any information," the Congressman pointed out.

## **World Economic News**

### **Is a Run on Brazil's Debt in the Making?**

Brazil's country-risk rating broke 4% on July 25, rising in one day by 1.69% to hit 4.22%. At the end of the week before, JP Morgan Chase, ABM-Amro, and Merrill Lynch recommended to their clients that they reduce their Brazilian debt holdings, leading Brazilian bankers cited by *O Estado de Sao Paulo* July 26 to (conservatively) project that Brazil's country risk could rise to 5.7% soon, as the political crisis balloons.

A rising country-risk—the premium over U.S. Treasuries' interest rates which governments and companies from a country have to pay to sell their bonds—can blow Brazil's debt out of the water faster than you could say "Impeach Lula." Brazil's official foreign debt was US\$200 billion as of April 2005; its public federal debt is nearly 1 trillion reals-worth, i.e., some US\$379 billion.

The rising country risk immediately hit Brazil's debt auctions. On July 26, Brazil ran into trouble rolling over its debt, as investors demanded higher interest rates than the government was willing to pay. Rather than pay those rates, the government withdrew two-thirds of what it had been offering. It could get no takers at all for its long-term NTN-F bonds, which do not have the floating interest rates that the markets now demand of Brazil.

### **Equity Funds Advancing on Takeover Market**

While the danger posed by hedge funds is known, less attention is paid to private equity funds. With no less aggressiveness than hedge funds, private equity funds are advancing on the takeover market in Germany. In 2003, they invested 13.6 billion euros in the purchase of real estate and of housing conglomerates, but also in shares, preferably shares of *Mittelstand* firms (small to medium-sized entrepreneurs); in 2004, 23.5 billion were invested; in the first half-year of 2005 alone, 12.9 billion were invested—an increase of 22 percent over the second half-year of 2004.

### **DaimlerChrysler CEO Resignation Takes Industry by Surprise**

The unexpected announcement July 28 by DaimlerChrysler CEO Juergen Schrempp that he would step down by the end of

the year, two years before his contract expires, sent shockwaves through financial circles, and the abruptness with which the boss of Germany's largest industrial conglomerate, was kicked out by the rest of the top management, took the industry by surprise. This is a sign of the times, characterized by abrupt, unexpected developments. And it was marked as potentially a more fundamental, constitutional shift, and downgrading of "shareholder value," by a noted German columnist.

In the lead commentary of the largest German mass-tabloid, *Bildzeitung* July 29, Paul C. Martin, a longtime chief commentator of the tabloid on financial markets and investment issues, wrote that Schrempp was one of those top managers whose salary surpassed any reasonable ratio, with an accumulated income over 30 years that is more than any average citizen would earn (if he could) in 6,000 years.

"We have plenty of worries about jobs and pensions," Martin wrote. "What is going on at the top echelons of the big firms, is threatening to tear the society totally apart. The Constitution states, unmistakably, The Federal Republic is a freedom-based, democratic and social law-state. Social does not mean to get a premium for failure. Nor to squeeze consumers with shameless price-driving.

"The next government must restore respect for the Constitution. Or else it will fail, like the outgoing one."

Martin's remarks are indicative of a broader discussion about essentials of economy and society, that is going on in the elites behind, mostly, closed doors, a debate which the BueSo, led by Chancellor candidate Helga Zepp-LaRouche, however, wants to force into the open, in the upcoming elections (see InDepth for Zepp-LaRouche's election platform).

## **10 Million Jobs Missing in German Economy**

This week, the Federal Labor Agency (BfA) released the latest data on unemployment in Germany. Here are the highlights: Official unemployment in July 2005 reached 4.77 million, almost half a million higher than one year ago. Out of these people, 1.82 million have been seeking a job for more than 12 months. The number of unemployed people under age 25 is 629,000.

Now, that's the "registered" (i.e., official) unemployment. In addition, there are currently 1.98 million people undergoing job training or participating in public-work programs or some other kind of government-sponsored activities, thereby falling out of the unemployment statistics for the moment. Officially therefore, there are 6.75 million people "seeking jobs."

Furthermore, there is the "quiet reserve" of people no longer looking for a job at this moment, as they realistically can't expect to get one under current circumstances. The Institute for Labor Market Research (IAB) provides annual estimates on the average "quiet reserve." For the year 2005, the estimate is 2.61 million. As this overlaps in part with the public-work programs, already included above, the IAB estimate for the "quiet reserve in the narrow sense" amounts to 1.73 million. All of this adds up to a total number of missing jobs of 8.48 million (4.77 + 1.98 + 1.73 million). During the winter months, this figure already crossed the 9 million mark.

Still, this isn't the full story. The reason is the dramatic transformation of those jobs that still exist. Between 1991 and 2004, the number of full-time jobs in Germany crashed from 29.5 to 23.5 million, a loss of 6 million full-time jobs. During the same time period, the number of part-time jobs doubled to 11 million. Out of these part-time jobs, there are 4.8 million "mini-jobs," which means monthly wages below 400 euros, and also reduced social-security coverage. According to conservative estimates, based on surveys by public agencies, there are at least 1 million part-time workers who would immediately switch to a full-time job, if they could get one.

In summary: In order to provide a job for every working-age person in Germany who wants one, about 10 million jobs have to be created.

## **London Hedge Fund Troubles Send Investors Fleeing**

GLG Partners, based in London, is right now ranked as the fourth-largest hedge-fund group in the world, with about \$11 billion in assets. And GLG's flagship Credit Fund is in big trouble. It suffered heavy losses in May, and more losses in June. According to the GLG management, the Credit Fund was down 20% during the first six months of the year. Allegedly, there was a slight recovery in July. But even the GLG management has to admit, that investors of its Credit Fund have already threatened to withdraw one-third of the fund's entire capital. As redemptions are only allowed at specific dates in the future, the management hopes to convince some of the investors to stay in. Hedge funds don't maintain large cash reserves, and premature liquidations of contracts will certainly cause additional losses.

Probably, the real mess is much worse than what has been admitted so far. As London's *Financial Times* July 27 noted: "The swings at GLG are being closely watched by the investment industry, since the fund is one of the largest, and there has recently been debate about the scale of losses and redemptions that hedge funds suffered because of the May turmoil. Measuring such losses precisely is impossible, since funds release only limited data and many have invested in opaque assets, such as tranches of collateralized debt obligations."

## **United States News Digest**

### **Biden Asks Rice If Bolton Lied**

Senator Joseph Biden (D-Del), the senior Democrat on the Senate Foreign Relations Committee, sent a letter to Secretary of State Condoleezza Rice on July 27, asking whether John Bolton had testified to a grand jury about the leak of Valerie Plame's identity as a covert CIA operative. Bolton had stated on a questionnaire for his confirmation hearing as U.S. Ambassador to the United Nations, that he had not been interviewed in any investigations during the past five years. MSNBC has reported that Bolton was among the State Department officials who "gave testimony" about the Department's classified memo concerning former Ambassador Joe Wilson and his wife Valerie Plame Wilson that circulated on Air Force One in July of 2003.

"I write to request that you or the nominee inform the committee whether Mr. Bolton did, in fact, appear before the grand jury, or whether he has been interviewed or otherwise asked to provide information by the special prosecutor or his staff in connection with this matter, and if so, when that occurred," Biden wrote.

Representative Jane Harman (D-Calif), the ranking Democrat on the House Intelligence Committee, has asked the State Department for both versions of the State Department memo on Wilson.

Meanwhile, some Senate Republicans, such as Norm Coleman (Minn), are urging President Bush to give Bolton a recess appointment as soon as Congress adjourns for the month of August. Earlier in the week, White House spokesman Scott McClellan indicated that Bush might do so.

### **Cheney Muscles CAFTA Through House**

The U.S. House of Representatives passed the Central American Free Trade Agreement (CAFTA) by a vote of 217-215 a few minutes past midnight July 28; despite Dick Cheney's strong-arm tactics, 27 Republicans voted against the bill. House

leaders held up the roll call (in violation of House rules) for an hour, instead of the usual 15 minutes, while they armtwisted votes: When the time for the vote had expired at 11:17 p.m., the tally had been 180-175 against. President Bush had made a rare appearance, accompanied by Vice President Dick "The Enforcer" Cheney, at the weekly meeting of the House Republican Conference to push the bill, and the night of the vote Cheney made an after-dinner trip to the second floor of the Capitol and stayed until shortly after 10 p.m.

Among the many statements for and against the bill, were some describing how free-trade/NAFTA has been all wrong, and must be stopped. Representative Marcy Kaptur (D-Ohio), for example, called on people to look at just a few of the latest announcements of outsourcing by "icon" companies:

\* Brunswick Bowling Balls, based in Michigan, is going to outsource.

\* Louisville Ladder, in Louisville, Ky., is leaving town.

\* Modine Manufacturing Co., in Emporia, Kansas, which makes radiators, announced July 25 that it is closing a factory after merging with a Connecticut-based company. One hundred thirty workers laid off, effective immediately. The work will be consolidated at two existing plants in Mexico.

The morning after the vote, House Minority Leader Nancy Pelosi (D-Calif) denounced the "Let's Make a Deal" atmosphere that prevailed on the House floor during the vote. When asked if she would seek an ethics probe into how the vote was manipulated, she said, "This is the same thing that happened over the Medicare prescription-drug bill, and this has to stop; and you had the President on the Hill for an hour-and-a-half trying to get support. The Vice President was here on the Hill most of the day, having a hard time persuading their people to support CAFTA. It was like each vote was a test of President Bush's manhood."

## **Federal Judge Blasts Bush Administration Policies**

While sentencing Ahmed Ressam, who allegedly planned to explode a Millennium Eve bomb at Los Angeles International Airport, a Federal judge in Seattle delivered a blast at the Bush Administration's policies, stating that the Ressam trial shows that the criminal justice system works. "All of this occurred in the sunlight of a public trial," Judge John Coughenour said. "There were no secret proceedings, no indefinite detention, no denial of counsel."

"The tragedy of Sept. 11 shook our sense of security.... Unfortunately some believe that this threat renders our Constitution obsolete," he said. "It is my sworn duty, and as long as there is breath in my body I'll perform it, to support and defend the Constitution of the United States."

## **Soldiers in Iraq Ill-Equipped for Convoy Duty**

General Joseph J. Chaves, the commander of a Hawaii National Guard brigade in Iraq, wrote in a March 15 secret memo that his troops are ill-equipped for their convoy missions in Iraq, the *Washington Times* reported July 28. Chaves said that not having the proper weapons to be used on escort and convoy missions is needlessly killing more innocent civilians. He gave an example to a *Times* reporter, of having to use grenade launchers and other heavy machine guns during escort missions, because the proper weapons, which are more selective, were not available.

## **Reid Says Senate Should Finish Defense Bill**

In a press release issued on July 27, Senate Minority Leader Harry Reid (D-Nev) blasted the Republican Senate leadership

for pulling the Defense Authorization bill from the Senate floor, and called on the Senate to stay in session until the bill is finalized and passed.

"Republicans today decided they wanted to push our national security aside," Reid said. "Republicans decided they didn't want to support our veterans and give them the health care they deserve. Republicans decided they didn't want to take the strain off of our National Guard...."

And now, Reid stated, "instead of staying on defense, Republicans want to move on to guns." He insisted that the "DoD Authorization should be brought to the floor as soon as the gun bill is finished, and Senators should not leave for the August recess until it is done.... It's an abuse of power to put special interests ahead of our defense. We need to finish the Defense Authorization bill before we leave."

Reid said, during a press conference on July 27, that the Democrats had offered to Majority Leader Bill Frist (R-Tenn) that they could finish the defense bill by Wednesday night. But, Reid said, the Republican leadership refused because it would not allow certain amendments to be considered—including the McCain-Graham amendments on the treatment of detainees. And he said already then, that Democrats would be willing to stay next week to finish the bill—which of course Vice President Dick Cheney doesn't want, because it would mean that those Republican-sponsored and bipartisan amendments which have Cheney in a rage, would be certain to pass on the Senate floor.

Reid's statements came after the cloture motion on the defense bill, filed by Frist on July 22, failed on July 25 by a 50 to 48 vote, 10 short of the 60 needed to close debate on the bill. Cheney had threatened to have Bush veto the bill if it included either the John McCain (R-Ariz) amendment (prohibiting torture of all detainees), the Carl Levin D-Mich) amendment (for an independent commission to investigate the torture), or the John Thune (R-SD) amendment (postponing the Pentagon's base closing recommendations until the U.S. troops have come home from Iraq).

### **Use of Dogs at Abu Ghraib Recommended by Gitmo's Miller**

The commander of Guantanamo Bay prison, Maj. Gen. Geoffrey D. Miller, recommended the use of military dogs during interrogations, when he visited Abu Ghraib prison in Iraq in 2003, according to testimony given by a former warden at the prison. "We understood that he was sent over by the Secretary of Defense," Maj. David Dinenna testified at a hearing July 27 for two Army dog handlers accused of prisoner abuse.

Dinenna said that teams of trainers were also sent to Abu Ghraib "to take these interrogation techniques, other techniques they learned at Guantanamo Bay, and try to incorporate them in Iraq." It was also reported at the hearings that sleep deprivation and forced nudity, first used at Guantanamo, were later approved for use at Abu Ghraib.

Dinenna's testimony supported defense assertions that using unmuzzled dogs to terrify Abu Ghraib inmates, had been approved high up the chain of command, and, contrary to government claims, it was not just a game played by two rogue soldiers.

### **Sweeney Blasts Breakaway Unions**

AFL-CIO president John Sweeney blasted the secession of two major affiliates which, along with a train of lesser unions, have decided to break away from the central labor federation. Speaking before the actual July 25 announcement of the break, in his keynote address to the AFL-CIO annual meeting in Chicago, Sweeney called the move a "grievous insult" to working people and their families. "At a time when our corporate and conservative adversaries have created the most powerful anti-worker political machine in the history of our country, a divided movement hurts the hopes of working



families," Sweeney said. However, he also vowed to "overcome [his] own anger and disappointment" and work to keep the federation together.

The two major unions that announced their departure are the Service Employees International Union (SEIU) and the International Brotherhood of Teamsters (IBT). Several other unions, although they are boycotting the convention, have not yet seceded. The Change to Win Coalition, headed by SEIU head (and one-time Sweeney protégé) Andy Stern, represents about one-third, or just over 4 million, of the members of the AFL-CIO. They take with them about \$20 million in annual dues, plus almost \$10 million in unpaid back dues.

## Ibero-American News Digest

### Brazil Heads Toward Institutional Breakdown

A dramatic statement issued jointly over the weekend of July 23-24 by the presidents of the retired officer clubs of Brazil's Armed forces—the Army, Navy, and Air Force—warned that the government's decision to reverse its promised 23% pay hike for military members could lead to open unrest in the military, "with serious risk to the hierarchy and discipline of the Armed Forces."

Instead, Wall Street's errand boy, Finance Minister Antonio Palocci, has provocatively offered a ridiculous 3% in September, and maybe another 5% next year.

The government is either out for revenge against the Armed Forces, or wants to demoralize them, the military statement charged. Speaking for all three forces, Air Force Brigadier Ivan Frota warned of possible organized protest, and demanded "more respect from the government, which is involved in the shameful corruption process which is devastating the country."

Corruption scandals continue to swirl around the government of Lula da Silva. On July 25, Roberto Busato, national president of the Brazilian lawyers association, the OAB—which is a very powerful, national political institution—warned that "the political situation is deteriorating, the institutions are becoming paralyzed, and the President is not coming forward with explanations for the public, which is worsening the picture." The situation is worse now, Busato said, than in the days of President Fernando Collor de Mello—who was impeached and thrown out of office in 1992 for corruption.

Close allies of President Lula da Silva, including former President Jose Sarney, are warning privately that Lula might not finish out this year as President, according to the July 25 *Tribuna da Imprensa*.

### Argentina Fights To Put Financial Reform on Summit Agenda

There has been a brutal fight going on in recent weeks over the agenda for the Nov. 3-4 Summit of the Americas, which is to be held in Argentina this year, attended by 34 heads of state. The Argentine government, as host, has proposed that the summit's official agenda be "job creation to deal with poverty, and strengthening of democratic governability," and called for debate on the need to reform multilateral lending agencies, and the "international financial architecture."

Naturally, the Bush Administration has instead demanded that debate focus on free trade, fighting corruption, juridical security, and "transparency" in international relations. This had led to tense debate at a number of meetings called to discuss the agenda. At a July 17-18 meeting in Washington, U.S. Ambassador to the Organization of American States (OAS) John Maisto told Ibero-American diplomats that there was nothing wrong with the free-market policies of the



1990s. The problem was just the "corrupt" governments who failed to apply them appropriately.

According to Argentine diplomats, there are now "two currents of opinion" that have formed around the agenda: the U.S., Canada, and a slightly more cautious Chile are in one group, and the rest of the continent is lining up, with varying degrees of support, with the Argentines. Reflecting the fray, Argentina's Deputy Foreign Minister Jorge Taiana told foreign reporters in Buenos Aires on July 25 that the issue of free trade wouldn't be included at all on the Mar del Plata agenda, as it fits more appropriately into the negotiations for the Free Trade Area of the Americas (FTAA). However, he added, those negotiations, for which Brazil and the U.S. are responsible, are currently "paralyzed."

## **British Murder of Brazilian Immigrant Provokes Rage**

Spain's "Alliance of Civilizations" approach is preferable to Britain's shoot-to-kill policy against terrorist suspects, said Argentine Foreign Minister Rafael Bielsa, commenting on the July 22 murder of an unarmed, 27-year-old Brazilian electrician, Jean Charles de Menezes, by British police. Instead of this "shoot-to-kill" policy, Bielsa said he preferred the "Alliance of Civilizations" proposed by Spanish Premier Jose Rodriguez Zapatero. The British confirmation of their shoot-to-kill policy, "doesn't exactly bring us closer to the best the human race has to offer, but rather forces us backwards to the darkest eras in the history of humanity."

There has been a broad outcry in Ibero-America in response to the de Menezes murder.

The Lula government is reported to be considering sending a Brazilian legal official to London to carry out an independent investigation, because it doesn't trust the British to come up with the truth of what happened. The announcement by British authorities, on the eve of Menezes' funeral, that his visa was expired, infuriated Itamaraty (the Brazilian Foreign Ministry), which issued a statement in response on July 28: "Leaving aside the merits of this latest information, the Brazilian government's view is that this in no way affects the responsibility of the British authorities for the tragic death of an innocent and peaceful Brazilian citizen. It should not, therefore, have any influence on investigations of the tragedy, or the measures which the British government should take as reparations for the family of Mr. Jean Charles de Menezes."

## **CAFTA May Bury Central America**

In the tradition of Enron, Halliburton, and the attempt to privatize Social Security, the Bush Administration continues to reward its mega-business constituency by arranging a license to steal. CAFTA (Central American Free Trade Agreement), a step toward expanding NAFTA (North American Free Trade Agreement) to all of Ibero-America in the projected Free Trade of the Americas Agreement, permits the Bush-Cheney base to "invest" in raw materials extraction (at minimal cost) and sweatshop businesses in the dying countries of the Dominican Republic and Central America, while dumping consumer products, and selling necessary imports such as medicine at premium prices.

Among the murderous features of CAFTA, passed by the House in the wee hours of July 28 (see USA Digest), are:

- \* opening of even relatively small government contracts to transnational corporations at the expense of local business;
- \* allowing such corporations to sue governments which pass environmental, social, or labor laws, for impinging on their operations;
- \* privatizing of government services in health, water, energy, and social security;
- \* allowing dumping of food commodities at below-market prices; and

\* forbidding the public-health sector from buying generic drugs for diseases such as AIDS. Some project that prices for HIV/AIDS medication could rise by as much as 800%.

## **Congressional Committee Exposes Pinochet Looting of State Sector**

The privatization of 725 Chilean state-sector companies between 1973 and 1990 was carried out with complete disregard for any existing laws, for the sole benefit of large financial predators, banks, and individuals who worked for the Pinochet government, reveals a report released on July 20 by Deputy Carlos Montes, who oversaw the work of a Congressional investigative committee.

The committee, which seven of its Pinochetista members boycotted, found that the privatization of only the 30 largest state companies meant a loss of \$2.5 billion in revenue—\$6 billion in 2005 dollars—to the state. And the real loss, when it is finally calculated, "will be far more" than \$6 billion, he explained. Typical was the sale of Chile's only steel company, the Pacific Steel Company, which was valued at \$811.5 million, but sold for \$105.5 million. The state sugar company Iansa, the energy firms Endesa, Chilgener and Chilectra, and the Banco de Chile, were all sold for a song.

Thirty percent of the funds obtained from privatizations were offered as credits to individuals so they could in turn buy up stock in other state companies. The other 70% went into a general slush fund, used for whatever purpose the Pinochet government wanted. "Ad hoc legal norms" were simply decreed to facilitate the process, and the owners or controllers of the privatized firms turned out to be the same people who designed the privatization process in the first place.

Pinochet's son-in-law, Juan Ponce Lerou, who started out in 1973 as a low-level bureaucrat, ended up as the multimillionaire owner of the giant formerly state-owned Soquimich chemical firm, which was sold off for 261.9 million less than it was worth.

## **Chile's CODELCO Targetted for Privatization**

Two months ago, legislators from the right-wing UDI party began to attack Chile's giant state copper company, Codelco, charging "irregularities," nepotism, cost overruns, "lack of transparency," etc. UDI Sen. Evelyn Matthei said Codelco was "the Chilean Enron," and should be investigated immediately.

Codelco, 100% owned by the Chilean state, is the world's largest copper producer, and possesses 20% of the planet's copper reserves, as well as technological and engineering capabilities crucial to Chile's—and the region's—future development.

Ramon Espinoza, president of Chile's Copper Workers' Federation, said what many Chileans know: "Those charging corruption in CODELCO seek its privatization." Everyone has the right to ask questions, and demand investigations of contracts, "but those who have always wanted to privatize the company point to the lack of probity, corruption or poor management."

Indeed, it was the UDI's friends who looted the Chilean state in barbaric fashion under Pinochet. As Finance Minister Nicolas Eyzaguirre asked on June 29: When will the UDI and right wing ever shine the spotlight of "transparency" on the private pension funds—the AFPs—they created?

## **Western European News Digest**

## Italian Prime Minister Calls for Dumping Euro

Italian Prime Minister Silvio Berlusconi made brief remarks on the euro at a meeting of the national council of his party, Forza Italia, on July 28; his remarks have received more media attention abroad than in Italy. Referring to his electoral challenger, opposition leader Romano Prodi, Berlusconi said that "Prodi's euro conned us all." This is the first time that the Prime Minister in his own name, rather than through his collaborators and allies, has spoken thus.

Earlier this week, a long-standing *EIR* contact in the Lombardy regional council was involved in a discussion on the euro and the issue of national monetary sovereignty raised by Helga Zepp-LaRouche in Germany, and he reacted by saying, "The euro issue will be at the center of the election campaign in Italy, but in such a form as to make any serious policy discussion impossible." Nevertheless, Berlusconi's populist statements show that the euro crisis is such that the question cannot be avoided by politicians today, either way.

## Britain Is the Most Surveilled Country in the World

In the midst of its extensive coverage of the London bombings, the July 23 *New York Times* included an item covering the release of surveillance-camera photos of the suspects in failed attacks of July 21. The reason that London police were able to produce the pictures so quickly is because, according to a spokesman for the London transportation system, there are 6,000 cameras in the system, including 1,800 in the subway stations, with 9,000 planned by 2010. However, these cameras are only a small portion of the 4.2 million throughout the country. "It is commonly estimated that the average Briton crosses the line of sight of a security camera 300 times each day," the *Times* reported.

Whether or not all of these cameras make Britons safer is a subject of some dispute. Jeffrey Rosen, a law professor at George Washington University who has studied the British surveillance system suggests that they're only really useful after the fact. He said that the effectiveness of such systems should be weighed against the benefits of spending funds on other measures, such as hiring more police officers. "Spain and Germany, after all, have identified suspects in major terrorist attacks without CCTV cameras," he said.

## British Capital Dubbed 'Fortress London'

Sir Ian Blair, London Metropolitan Police Commissioner, has delivered an uncompromising assessment of the terrorist threat facing the U.K. as the capital becomes "Fortress London," the Glasgow *Herald* reported July 29. There are about 4,000 armed police officers on patrol.

Residents of London report that the city is like a police state, with armed police everywhere. At rail and Tube stations, commuters' journeys are delayed while trains are halted and officers, some armed, undertake carriage-by-carriage searches.

The Tony Blair government is now proposing legislation that would allow terrorist suspects to be held in custody without charge for up to three months, rather than the present 14 days. It is also proposing the legalization of sleep-deprivation tactics during interrogation, which human rights organizations are describing as simply legalizing torture.

## Germany's CDU, FDP Adopt Radical Anti-Labor Platform

Germany's Christian Democratic Union (CDU) Chairman Angela Merkel's preferred coalition partner, the Free Democratic Party (FDP), passed a radical neo-con campaign platform that will further penalize labor. The FDP's national executive gave its okay for the platform at its session in Berlin July 25. The essential issue here, is the duplicitous promise

to reduce "labor costs" through a general cut of 2%, coupled with a cut in labor market program funds by 15 billion euros, annually. This implies that all make-work programs, including those under the "Hartz I-IV" austerity programs, will be abolished. The creation of jobs is left entirely to the invisible hands of the free market.

Furthermore, the FDP backs a flat tax, coupled with a lean state program, which implies that social assistance and health insurance will be privatized, along with pensions, and generally, public service will be reduced under the battle cry of "reduce the bureaucracy." Labor market deregulation is to be intensified, state support payments to the coal-mining sector and other sectors of industry are to be eliminated.

The FDP rejects an increase of the value-added tax, as called for by Merkel's CDU, on populist grounds that the "citizens must be protected from the tax-collectors." In reality, the FDP does it on neo-con grounds that the reduction of labor costs, for which the CDU wants to compensate with the additional revenue from the tax, instead be managed through drastic cuts in state programs for social welfare, social services, and labor market support.

FDP general party manager Dirk Niebel conceded that this kind of program, should it become government policy, would provoke widespread labor union protests, which the FDP does not fear.

### **CDU Chairman Wants To Move to Hartz V-VIII Austerity**

CDU chairwoman Angela Merkel wants to move on to the next phase of Hartz V-VIII, which will lead to the first of ten thousands of citizens losing their homes under Hartz IV.

Warnings in late 2004 that the stricter state support criteria for Hartz IV recipients would inevitably lead to residents being forced out of their homes, would be borne out.

For the first six months of 2005, the municipalities, which pay rent support for Hartz IV recipients, had arranged that in cases in which the actual rent is higher than the support, the residents would not be forced out, but would receive higher support. This can add up to 10% of the actual rent, for example, 40-50 euros, of a rent that is 450 euros per month.

But because of budgetary constraints in the municipalities, which have increased in past months, residents will not receive higher support. In Saxony, for example, already 19,000 flats are earmarked for residents moving out, into less expensive flats—more than 3,100 in Leipzig alone. The BueSo (Civil Rights Solidarity) party, led by Helga Zepp-LaRouche, running for Chancellor, is going to address this scandal.

In Berlin, estimates are that 70,000 citizens will be affected by the municipal budget constraints.

### **Irish Republican Army Announces End to Armed Campaign**

The Irish Republican Army has announced it will lay down its arms. This is the first time in the entire Northern Ireland peace process that the IRA has done so, although it initiated a ceasefire in August 1994, which was then reciprocated by the Loyalists two months later.

Sinn Fein (the political branch of the IRA) president Gerry Adams, who on April 6 had called on the IRA to abandon its arms, said July 28 that the statement would "challenge Irish republicans and nationalists. The IRA statement will also challenge others, especially the two governments and the Unionists."

The IRA statement said that "The leadership of Oglaiġ na hEireann has formally ordered an end to the armed campaign.... All IRA units have been ordered to dump arms. All Volunteers have been instructed to assist the development of purely political and democratic programs through exclusively peaceful means. Volunteers must not engage in any other activities whatsoever. The outcome of our consultations show very strong support among IRA Volunteers for the Sinn Fein peace strategy." The statement also says that the IRA will work with the decommissioning process to verify its end to use of arms, and that the "Army Council took these decisions following an unprecedented internal discussion and consultation process with IRA units and Volunteers."

However, the statement makes clear that the IRA is still committed to its goal of a united Ireland and end to British rule in Ireland. The IRA will also hold British Prime Minister Tony Blair to his commitment to finally fully implement the Good Friday agreement of April 1998.

Sinn Fein representative Martin McGuinness was in the United States when the announcement was made, and was to meet President Bush's adviser on Northern Ireland, Mitchell Reiss, and hold a news conference with a number of Congressmen.

## **Warsaw on Edge Over Possible Terrorist Attacks**

In the Polish capital, Warsaw, as in most European capitals, there is reportedly tremendous nervousness about possible terrorist assaults. Indicative of the level of nervousness is a clash which occurred between thousands of miners and the police. Approximately 5,000 miners had come to Warsaw to protest the neoliberal policy of closing down more coal mines, and to demand that the government, ahead of new elections to take place on Sept. 25, guarantee that those who worked for 25 years in the mines would receive pension benefits.

Sources in Warsaw reported that the clashes resulted in several injuries.

## **Russia and the CIS News Digest**

### **Presidential Rep Pulikovsky: Russia Looks East**

In a statement issued by his press service on July 15, and reported by Polit.ru, Russian Presidential Representative to the Far East Federal District Konstantin Pulikovsky said that improved relations with China were essential for Russia's place in the world. Pulikovsky contrasted the rapprochement with China to the friction Russia is experiencing with the European Union: "Russia is not very welcome in the European Union; everything possible is being done to lower our participation in and influence on European affairs. That is why it is very important that there is a country—the People's Republic of China—in the east, in Asia, which is our friend." He said that the "wild East" border trade of the 1990s, when resources and machinery poured out of Russia, is now giving way to more civilized business practices, whereby Chinese businesses take part in auctions, for example, for timber concessions in Russia's Far East. Soon they will be bidding at auction for the rights to develop natural resources, as the Russian Natural Resources Ministry changes its regulations on subsoil resource development.

President Vladimir Putin, speaking to a meeting of NGOs on July 20, said that the new pipeline from East Siberian oilfields to the Pacific will be a project of national economic significance, comparable with the Baikal-Amur Mainline railroad in scope, but contributing more to the economy than the BAM currently does. (Putin also warned against ecological impact studies being used to block the project or make it prohibitively expensive.)

### **Russia Seeks Admission to East Asia Summit**

Russia has applied to join the East Asia Summit (EAS), which will be held for the first time in Malaysia in mid-December 2005, according to a senior official of the Association of Southeast Asian Nations (ASEAN). Deputy Foreign Minister of Laos Bounkeut Sangsomsak, chairing a July 24 ASEAN meeting, said that his country—as ASEAN's current chair—had received the Russian application. The meeting agreed to take the request under consideration, Bangkok's *The Nation* reported July 25. The EAS will include ASEAN, together with China, Japan and South Korea—the ASEAN+3. Australia, New Zealand, India, and Mongolia have expressed interest in joining the meetings.

## **Rumsfeld in Kyrgyzstan, Russians To Beef Up Base**

With U.S. Secretary of Defense Donald Rumsfeld set to arrive in Kyrgyzstan July 26, the country's Foreign Minister Roza Otunbayeva said that "the main reason" for the visit was the U.S. desire to keep its military base at Manas airport, where 1,000 military personnel are stationed. After the visit, Kyrgyzstan's defense minister, Ismail Isakov, said the base could stay "as long as the situation in Afghanistan requires."

Earlier in July, Kyrgyzstan joined other members of the Shanghai Cooperation Organization (SCO) in demanding a timetable for the withdrawal of non-member countries' military units from SCO member states. A comment from U.S. Chairman of the Joint Chiefs of Staff Gen. Richard Myers, that "two very large countries [China and Russia] were trying to bully some smaller countries" with the SCO resolution, drew a sharp rebuff from the Russian Foreign Ministry on July 15. "We were bewildered by the comments," the Russian agency said, adding that SCO decisions "are consensus-based and reflect the collective opinion of all the member countries."

On July 13, Russian Air Force Commander Gen. Vladimir Mikhailov stated that Russia hopes to double the forces at its own base in Kyrgyzstan, located at the Kant airfield.

## **Central Asian Leaders: Extremism and Drugs Pose Threat**

Remarks by Kyrgyzstan's President Kurmanbek Bakiyev, warning of a dangerous alliance of Afghanistan-based drug traffickers and religious agitators, were highlighted in a July 19 article by Fred Weir in the *Christian Science Monitor*. The report also noted Uzbekistan President Islam Karimov's statement at the recent SCO summit, that an international "radical religious conspiracy," fuelled by drug money, "aims to destroy stability in order to dominate the region." It is highly unusual for the Central Asia heads of state to openly identify the Afghanistan drug problem as a major threat to their stability. The flow of drugs from Afghanistan through Central Asia to Russia and the West has accelerated since the U.S. occupation of Afghanistan in early 2002.

## **Putin: Russia Must Resist Military and Political Pressure**

Addressing a group of military and security officers who received promotions, Russian President Vladimir Putin on July 27 emphasized that the armed forces must be prepared "to counter any attempts to apply military-political pressure on Russia." He pointed to the recent escalation of assassinations in Dagestan in the Russian North Caucasus, as being of a piece with terrorist bombings in London, Turkey, and Egypt (and also mentioned Iraq and Israel in this context). Citing the illegal narcotics trade as a threat to Russia in its own right, but also a source of funding for terrorism, Putin called for the creation of anti-narcotics "security belts" around the borders of Russia and of other CIS countries.

Gen.-Lt. Yevgeni Lazebin made his first appearance as commander of Russia's Federal Forces in the North Caucasus, at this ceremony.

## **Putin: Block Foreign Funding of Politics in Russia**

During discussions at the July 20 meeting on the activity of NGOs in Russia, which officially was a session of the Council to Promote the Development of Civil Society and Human Rights, President Putin spoke out sharply against foreign funding of any NGOs engaged in political activity: "I categorically oppose financing from abroad of political activity in the Russian Federation. I categorically oppose it. No self-respecting nation allows this. And we shall not allow it." Without giving details, Putin said that Deputy Premier Alexander Zhukov had provided him "specifics" of cases in which "money was allocated from abroad for specific political activity in Russia—very specific, and with a rather sharp content. And ... he who pays the piper calls the tune. Let's solve our domestic political problems in Russia ourselves; we are not some primitive society."

Putin's remarks came after more than a decade of heavy foreign NGO funding of politics in Russia, under the guise of "promoting democracy," and of regime-change in neighboring former Soviet republics like Georgia and Ukraine. This summer, Russian media and politicians are paying a lot of attention to a "commissar training camp" being held in Tver Region by the patriotic youth group "Nashi" ("Ours," or "Us"), one of the declared goals of which is to prevent a Ukraine-style foreign-funded "orange" revolution in Russia. Nashi, which burst into prominence in May with a 60,000-strong Red Square demo in honor of World War II veterans, enjoys financial support from the Kremlin, and the 3,000 commissars-in-training have been visited by a parade of Kremlin officials. Putin himself met July 27 with a select 56 of its members.

On July 23, Russian Orthodox Church official Vsevolod Chaplin addressed the youth at Nashi's camp with an appeal to oppose such a revolution. "Russia has already lived through a colored revolution—a red one. Russia will not survive another revolution," Chaplin said, according to Interfax. "If our country falls apart," he added, "it will not become a group of little Switzerlands, but one big Yugoslavia, pulled apart by bloody chaos, which no foreign peacekeepers could deal with."

## **Russian Companies Launch IPOs in London**

Russian companies raised \$2.4 billion in the first six months of 2005 by going public—in London. The funds raised through these IPOs on the London Stock Exchange in half a year, compare with \$1.6 billion raised by Russian companies in all markets over the previous decade. The largest IPOs were those of the giant steel company Yevrazholding, the telecom company Sistema, and Pyaterochka, a grocery retail operation. The *Financial Times*, reporting this development, quoted EBRD President Jean Lemierre on how "there could be an element of capital flight" in these IPOs, being done in a foreign money-center market, rather than in Russia. In some cases, the listing company's owners have pocketed the proceeds of their stock sale as cash, rather than reinvesting them; "Pyaterochka does not need money," one of its board members noted.

A follow-up *FT* article, writing that the Russian IPOs have been "the biggest source of primary equity issuance for the LSE this year," included a spoof dispatch dated May 2006, which featured an imaginary LSE official for Russian listings, "Lionel Loot," explaining why the LSE was adopting Russian as a second official language. The non-spoof article indicated why the "Loot" moniker would be apt, forecasting that then next Russian companies to go public in London will include Novolipetsk Metal Works (another steel giant) and Rusal, which produces 70% of Russia's aluminum.

## **Asia News Digest**

### **Shift Seen in U.S.-North Korea Relations**

"The [Bush] Administration is reexamining assumptions underlying U.S. policy on North Korea," and may have given up the first-strike policy there, Dr. Jonathan Pollack, chairman of Research at the U.S. Naval War College, told *EIR* July 29,

discussing his recent article in YaleGlobal online. Dick Cheney's policy of "we don't talk to evil" at the Six Power Talks on Korea, was thrown out in Beijing July 26-29. "At least there is a major shift; they are allowing a new attitude in talking," Pollack said. "The very fact that [U.S. negotiator Christopher] Hill is giving the North Koreans this much 'face,' such validation as a legitimate partner, is significant. Certainly [former negotiator] James Kelly never had this kind of latitude. Never during the Bush Administration, has this been done before. Even if it's just keeping the ball in play, it's a heck of an improvement. You *must* negotiate face to face, if you want a diplomatic solution. You can't have a diplomatic solution without diplomacy. Finally we've got diplomacy," Pollack concluded.

While he would not be explicit, Pollack implied that Cheney has suffered a setback in U.S. policy councils. "Condi Rice has unquestionably been given more latitude; it seems they're standing back and saying 'Okay, gal, give it a whirl,' " as he put it.

## **U.S. and North Korea Continue Talks in Beijing**

U.S. negotiator Christopher Hill and North Korean Vice Foreign Minister KimKye Gwan met twice on July 29, and agree to meet a sixth time the following day, in Beijing, in an attempt to find common language for the first joint statement in three years of talks. "So far it has been very useful, but when we start putting ideas on paper, we enter a new phase," Hill told reporters July 29. "Some of their ideas we did not feel were usable. But some of their ideas very much corresponded to some of the ideas we have. So it is a negotiated process."

## **U.S. Envoy Protests Energy Policies of China and India**

Interim Under Secretary of State for Agriculture and Economic Affairs E. Anthony Wayne, in testimony prepared for the Senate Foreign Relations Committee hearing on July 26, accused China and India of "pursuing policies that are harmful to global stability."

Alluding to the energy investments that the two nations, each with 1 billion-plus populations, are making in Iran and Sudan, Wayne made specific reference to the discussions Indian and Pakistani officials are holding with Iranian officials on the technical, financial, and legal aspects of building a \$4 billion pipeline that would bring Iranian natural gas to the Indian subcontinent.

Wayne also noted India, and to a much larger extent China, have made significant upstream investments in Sudan's energy sector. Expressing reservations on these initiatives, Wayne pointed out that "the economic support such investment provides to regimes such as Iran and Sudan can undermine efforts to encourage policy changes that will reduce global instability and enhance energy security."

## **Bagram Air Base Stoned by Afghans**

Bagram Air Base, the U.S.'s largest, next door to Kabul, came under attack when 2,000 Afghans assembled in front of the gate and started chanting "Die America!" and throwing stones at the military vehicles coming out of the base. The violence erupted following the arrest of some villagers under the pretext that they were pro-Taliban elements. The U.S. troops fired in the air to disperse the crowd.

Also in Kandahar in southern Afghanistan, a bastion of Taliban militia, three suspected Taliban were killed in a gunfight with the U.S. troops. The fight saw five Afghan soldiers injured.

## **Japan May Cut UN Aid Unless It Gets Permanent Seat on SC**



Tokyo, the second-largest contributor to the United Nations, has warned that if Japan is not made a permanent member of the UN Security Council, it would be under intense domestic pressure to substantially cut UN aid. The Japanese government has not decided what it would do if its efforts to become a permanent member fail, said Foreign Minister Nobutaka Machimura on July 27. He also cited a recent town hall meeting where speakers made it a demanded that UN be cut significantly if Japan is denied permanent membership.

Japan contributes 17% of the world body's \$1.2 billion annual budget (\$204 million annually).

## **Malaysia Will Intervene To Prevent Speculation**

Malaysia, which dropped its currency peg to the dollar, along with China (see Indepth: "China's Controlled Reform To Keep Currency Stable"), will use government intervention and currency controls to prevent speculation. Second Finance Minister Nor Mohamed Yakcop, who was the primary adviser to former Prime Minister Mahathir Mohamad in the 1998 implementation of currency controls and the dollar peg, announced that the dropping of the dollar peg in favor of a basket of currencies, implemented on July 21, a few hours after China's similar announcement, will not include the "trading band" being used by China. Rather, said Nor Mohamed, the government will use its \$75 billion in reserves to intervene in case of speculators' manipulation of the market.

Also, Malaysia will not allow shorting of the Malaysian ringgit (borrowing of currency to sell it short, expecting a fall in value), and will retain the ban on trading the currency outside the country. "The Central Bank's rule in the managed float is, of course, to make sure that there is stability, there is no undue volatility in any single period," said Nor Mohamed. "There is no specific program to internationalize the ringgit."

The ringgit has increased by less than 2% in trading Friday (July 22) and Monday (July 25).

## **Wall Street Pushes Feudalism for Philippines**

With a pitched battle raging in the Philippines over American-agent Fidel Ramos's efforts (with his asset, President Gloria Macapagal Arroyo) to end the American Presidential system and the "obstructive" checks and balances, the *Wall Street Journal* weighs in on the side of the parliamentary system as more fitting for the "feudal society" in the Philippines. The article, by James Hookway, July 26 describes the American Presidential system as "ill-fitting" in the Philippines, arguing that "the Philippines experience during the past 100 years illustrates the difficulties of grafting a political system—in this case, U.S.-style democracy with power apportioned among a president, a bicameral legislature and the judiciary—onto a culture where feudalistic power-brokers wield much more influence than voters. The Philippines has become virtually ungovernable, enabling a communist guerrilla movement to revive and al-Qaeda-linked Islamist separatists to operate freely."

## **Thailand Nationalizes Rail Systems**

The government of Thailand is nationalizing the two light rail systems in Bangkok, *Business Day* reported July 26. The elevated train and the newly completed subway are to be combined and taken over by the Mass Transit Authority of Thailand, as part of the \$40 billion, five-year plan to create a rail solution to the infamous Bangkok traffic crisis.

## **U.S. Reported To Have Contractors Fighting Abu Saayaf**

There are reports from local residents in Mindanao and foreign human-rights workers in the southern regions of the

Philippines that, "American troops have engaged in combat operations, and that former American soldiers now working under contract to the Pentagon operate there," according to the *New York Times* July 23. The U.S. denies these reports, while admitting that special forces "advisers" accompany Philippine troops on operations against the Abu Saayaf. Such activities are strictly forbidden by the Philippine Constitution.

## This Week in History

### August 2 - 8, 1940

#### President Roosevelt on the Need for a Military Draft

On Aug. 2, 1940, President Franklin Roosevelt held a White House press conference, in the midst of a series of inspection tours which he had been conducting of America's newly-gearred-up defense installations. He had just returned from a July 29 visit to the Norfolk Navy Yard, and he would leave on Aug. 9 to inspect the Portsmouth and Boston Navy Yards, and the New London Submarine Base and Electric Boat Shipyard in Connecticut.

Although a start had been made at expanding America's defense capabilities, there was still the problem of training a modern army. As the President had said on July 29, "The increasing seriousness of the international situation demands that every element of our national defense structure be brought as rapidly as possible to the highest state of efficiency, in training as well as in equipment and material."

But a bill to establish a military draft was moving very slowly through Congress, and reporter Fred Essary asked a question implying that the bill was languishing because Congress felt the President was not backing it strongly. President Roosevelt replied, "...Now, on this particular bill, everybody knows that if I were to come out and send up to the Hill a particular measure, what would you boys do, most of you? You would say that the President is 'ordering Congress.' 'Old Mr. Dictator, he is just ordering Congress to pass his bill.'

"Well, of course, the actual fact was that back in 1933, when we were in the middle of a very serious crisis, with all the banks closed, etc., in that 100-day session, and in a very few cases in the 1934 session, we did send up ready-made bills, all ready-made, and they were put through, most of them, without hearings; and, of course, afterwards they had to be amended and so forth and so on....

"Well, of course I have tried to be absolutely scrupulous in my relations with the Congress; and I said—I got tired of saying it after a couple of years—that literally there was no such thing as 'must' legislation. There never had been....

"Now, the very simple fact is, as I have stated, the lessons of this war do show very clearly that defense necessarily means total defense. Well, under modern circumstances—and we have learned a lot in the last year—that means a great deal in the way of new machinery and equipment of all kinds, which we haven't got. We are beginning to get it. As Knudsen [William S. Knudsen, President of General Motors, who accepted Roosevelt's call to serve on the Commission of National Defense and coordinate industrial production] said to me yesterday, we have either let contracts or the work is proceeding without contracts—because a great many of these companies are proceeding with their work without actual contracts having been signed, and that applies in various cases to planes, armor, tanks, etc. We are actually proceeding with the building of a billion, \$800 million worth of materials."

"That is the material end. Now, we also learned from the European war that the people who have not had the trained manpower to use those machines have been in a bad way.

"England, for example, had no trained people to run their machinery a year ago; and even eight or ten months after they got into the war they only had a trained armed force of about 350,000 or 400,000 men, most of whom were caught in Flanders. Well, today—two months or three months later—they have a better figure, they have 4 million men in England. Of course, they cannot have been as thoroughly trained as they should be. You can't train 4 million men in two or three months.

"I always go back to the same old thing I harped on in 1917, when we built up an army of 4 million men."

"We built up an army of 4 million men, and they did not go into action for 13 1/2 months. It was not until the 27th day of May, 1918, that that fighting force was able to fight. In the meantime, during those 13 1/2 months, remember that no shot was fired against us over here. We were completely free from any attack. Now, that will never happen again in the history of the United States. As far as I can see, that was just a bit of sheer luck. In other words, you have got to have trained men.

"Okay. And I will go back and repeat this: What is an army? An army consists of combat troops, supply troops, transportation troops, all of them in uniform. It consists of all kinds of mechanics, still in the army.

"It consists of all kinds of factory workers, specialized factory workers, who would not wear uniforms, but who are still essentially a part of the defense forces of the country. They require training just as much as the man with a rifle requires training. And then, there is the final factor we all know, and that is that for purposes of defense we have to have men who are already trained beforehand. In doing that, we save lives—we save human lives. That is the important thing. We all know from experience that in an untrained force or an untrained army or an untrained navy, relatively, the casualties from deaths and wounds are much higher than they are in the case of the trained army and navy. That is the human element. And that might also be said to apply to the sick in wartime. A trained army has much fewer casualties from disease and accident than an untrained army or navy. It is a case of saving lives.

"Now, I have made it perfectly clear many times that you cannot get a sufficiently trained force of all kinds at the front, in the Navy yards and the arsenals, transportation, supply system, and munitions output, you cannot get it by just passing an Act of Congress when war breaks out, and you cannot get it by the mere volunteer system.

"That is why we figured out pretty well in 1917 that the selective training or selective draft was the fairest and in all ways the most efficient way of conducting a war if we had to go to war. I still think so, and I think a great majority of the people in the country think so, when they understand it."

On Sept. 16, 1940, President Roosevelt signed the Selective Training and Service Act, which required every male between the ages of 21 and 36 to register for the military draft. When the first million men had registered, and undergone a medical examination, it was found that almost 40% were unfit for military service. Of those who were rejected, one-third were unfit due directly or indirectly to the poor nutrition they had received during the Great Depression.

The Selective Service Act had contained a 12-month limitation on the draftees' period of service. That provision was to expire at the end of the summer of 1941, and the U.S. Army would have imploded at a crucial time, just as the Continental Army had faced a crisis of expiring enlistments at Christmas in 1776. President Roosevelt sent Congress a strong appeal for extension of the period of service, despite the still-strong isolationist current which threatened to defeat such a bill. A compromise 18-month extension passed the Senate fairly easily, but in the House, it became law by only one vote, 203 to 202. Thus, by the narrowest of margins, the U.S. Army remained prepared for the war into which it was plunged by the Dec. 7 attack on Pearl Harbor.

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