

## Electronic Intelligence Weekly

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## THIS WEEK YOU NEED TO KNOW

### Global Banking Collapse Will Shape Post-Nov. 5 World

Going into the Nov. 5 mid-term elections in the United States, we are facing the worst financial collapse within living memory, and an Administration in the thrall of Chickenhawks determined to take the country and the world into disastrous perpetual war, starting with Iraq. For the time being, the war drive is jammed up in the United Nations, thanks to the French and the Russians, who have so far rejected the most provocative features of the war resolution submitted to the UN Security Council by the United States and Great Britain.

As Lyndon LaRouche said in his Oct. 19 webcast, a dramatic change will occur as a result of the Nov. 5 elections. LaRouche emphasized that "we don't know exactly what's going to happen, except we know this Nov. 5 election will be a phase-shift in internal [U.S.] politics, and therefore, in international politics."

What is fundamentally driving this situation, is the onrushing global financial collapse—the most dramatic feature of which, as has emerged into consciousness of those watching the situation, is the simultaneous collapse of the banking systems of the United States, Germany, and Japan. As Richard Freeman reported in last week's issue of *EIW*:

"Never in post-World War II memory, have the banking-financial systems of the three major economic powers—the United States, Japan, and Germany—experienced such crises simultaneously. Combined, these banking systems possess between two-fifths and two-thirds of the assets of the world's banking system. The breakdown conjuncture of these nations' interconnected bank systems defines a crisis point of the world financial system...."

Freeman's article also cited the recently released data on bad debt in the U.S. banking system. Even though the U.S. government has been chronically faking its economic statistics, this particular set of data does give some idea of the depth of the present crisis. Is there still someone in the ranks of those grinding out these numbers, who still has a sense of honor? Or it is that things have just gotten to the point, where the government's data-crunchers can no longer fake all the data, all the time?

We are referring to the yearly debt report for the U.S.—"Shared National Credit Review"—published on Oct. 8 jointly by the bank regulatory agencies of the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Agency—which demonstrate a spectacular rate of increase in U.S. "troubled" bank loans. Between 2000 and 2002, the percentage of loans that are classified as troubled (or "adversely rated") has more than doubled. Of the \$1.871 trillion in loan commitments that financial institutions have made in the United States, 12.6% are "troubled/adversely rated," compared with 5.1% in 2000.

You might want to keep the following fact in mind as well: That, of the world's 15 largest financial institutions today, two are Fannie Mae and Freddie Mac—dependent on the Great U.S. Housing Mortgage Bubble for their "solvency"!

*EIW's* reviews of the three dominant banking systems are featured in this issue, and we touch on the highlights here.

\*United States. John Hoefle's review shows that the U.S. banks are hopelessly insolvent by any normal standard. They are counting trillions of dollars of worthless IOUs—derivatives, overblown assets, and unpayable debts—on their books, at face value, to hide their own actual bankruptcy. The major U.S. banking institutions have abandoned their traditional function—lending to businesses—to the point where their holdings of investment securities (corporate bonds, mortgage-backed instruments, etc.) now exceed their level of business loans. And on top of all this comes the spectacular growth of derivatives: As a whole, U.S. banks have notional derivatives holdings 81 times their equity capital, 13 times their loan portfolios, and over seven times their asset base.

\*Japan. Kathy Wolfe's review shows, as background, that Japan's banking system has been in trouble for years, dating back to the infamous 1985 "Plaza Accords" in which Japan was forced to "upvalue" the yen, to bail out the collapsing and deficit-ridden U.S. economy. But now, the collapsing economy is turning once-good loans into bad loans faster than the banks can write them off. Bank of Japan Governor Masaru Hayami recently warned that public trust in Japan's giant banks has been "damaged," and he declared that the country's Central Bank will have to act as the lender of last resort. In September, Hayami had proposed that the Central Bank buy up as much as \$100 billion in industrial stocks held by the major banks—which Japanese banks count as part of their capital. With the collapse of stock markets globally, this puts the very existence of the major Japanese banks in question. And, because of the sheer size of Japan's banking system, the collapse of any one of the major Japanese banks, could bring down the global financial system.

\*Germany. Lothar Komp's review describes how a crisis erupted in the German banking system in the last week of September, triggered by rumors of major derivatives losses by Commerzbank. The rumors were spread by Merrill Lynch, accompanied by a report on the German banks called "Turning Japanese." Risk premiums on the debt of German banks exploded in late September, as the creditworthiness of the entire German banking sector was called into question, and the crashing of bank stocks accelerated, typified by the 88% collapse of Commerzbank's stock over the past two years.

Accompanying this, is of course the impending default of Brazil, the ongoing default-collapse of Argentina, and now, the declaration that the European Union's "Stability Pact" is dead.

In an interview with *Radio El Mundo* of Buenos Aires, Argentina, on Oct. 20, Lyndon LaRouche put it this way:

"We are now in a world depression which is the worst world depression in the memory of any living person. Under these conditions, there's no possibility that the present world monetary financial system can survive. Now, to get out of this depression, as we look at the history of Argentina as an example, we've been going to hell for about 35 years. It will take a generation for us to build our way out of this mess. We cannot wait 35 years for the recovery to take full effect. Therefore, we're going to have to use state credit under a fixed-exchange-rate system, at 1-2% simple interest, in order to keep the structure of the economy functioning, to meet social requirements, and to devote ourselves to a generation of rebuilding the world economy.

"So, what's been pushed from Italy and elsewhere, on my recommendation in Italy, is going back to the Bretton Woods agreements, as they operated between 1946 and 1958 approximately. This would not be an exact copy of those original Bretton Woods agreements, but the thinking of Franklin Roosevelt in 1944 around the idea of the Bretton Woods agreement, would be the model of reference for designing a new system.

"And there is no alternative to what I have proposed. If my proposal is not accepted, the world is going to hell, and nothing can stop it."

So for you, the reader, the relevant question is: Where were you, when LaRouche warned, repeatedly, year after year, of the coming financial and economic collapse? What was it that impelled you to brush off those warnings? Are you now ready to admit that LaRouche was right, and to face reality, before it's too late?

## U.S. ECONOMIC/FINANCIAL NEWS

### U.S. Corporate Debt Defaults Grow

The combined total of U.S. corporate debt, which is classified as being either in default, or in distress, has risen nearly \$200 billion during this year, to \$879 billion. This amount is greater than the combined Gross Domestic Product of all but eight nations in the world.

All of this debt is now classified as junk-bond status, though the bonded debt of some companies did not start out that way, but, as in the cases of WorldCom or Adelphia, was only downgraded to junk-bond status shortly before, or at the point that, these companies filed for bankruptcy. Debt is considered to be in default when the issuer company stops making interest payments on the debt. Of the above-mentioned \$879-billion debt figure, \$389 billion represents defaulted debt, and the rest, debt that is "distressed." In dollar volume, the 12-month default rate, that is, the percentage of all U.S. corporate bonded debt that is in default, is 15%, the highest rate ever. Further, the defaulted bonds are trading at only 18 cents on the dollar, which is far less than the historical average of defaulted debt of 42 cents on the dollar.

### Soaring Personal Debt, Based on Housing Bubble Worries Some on Wall Street

It's not only corporate debt that has Wall Street biting its nails: In an article headlined "Debt Problems Hit Even the Wealthy— Biggest Surge in Borrowing Is Among Those with Highest Incomes; Liquidating the 401(K)," the *Wall Street Journal* Oct. 9 telegraphs the worst fears of the financial establishment. It reports a fact well-known to *EIR* readers: "Household debt has ballooned to more than 100% of disposable income, ... the highest percentage on record," the *Journal* notes, with an almost audible tremor in its voice. Yet, despite "auto repossessions, personal bankruptcies and mortgage foreclosures [being] at or near [their] highest levels in decades," as long as the interest rates can be kept in check, while the housing bubble remains afloat, then, the *Journal* sighs hopefully, "the wealthiest are able to manage their higher debt loads."

Just how crucial the housing bubble is to this pyramid scheme, is indicated by Federal Reserve data showing that "debt for the top-fifth of U.S. households hit 120% of disposable income in the first quarter" of 2002. The piling on of debt by the wealthy is possible due to "increased borrowing against the value of their homes." When the housing bubble pops, this debt bubble will go poof. The debt burden for the bottom four-fifths of households rose to 80% of disposable income in the same period, the *WSJ* reports.

### Port Lockout Continues To Send Ripples Throughout Economy

Both Honda and Toyota automakers have warned that future U.S. sales could be hurt by the West Coast port lockout (see *INDEPTH* article, "Port Lockout: Straw To Break Economy's Back?"), despite the reopening of the ports under a Taft-Hartley injunction, according to *Bloomberg News* Oct. 11. Honda is suspending production at two U.S. plants and one Canadian factory this week because of continuing parts shortages. Toyota reports that their U.S. car and truck sales may fall 15% this month. Among retailers, The Gap (clothing) says delays in getting merchandise into stores may lower fourth-quarter profits as much as 7 cents a share.

Meanwhile, relations between the Pacific Maritime Association and the International Longshore and Warehouse Union

continue to be tense as the ports remain log-jammed due to the 10-day management lockout. The PMA continues to seek "normal" productivity levels while the union insists these are impossible, given the conditions at the ports. ILWU national spokesman Steve Stallone was quoted in the Fremont, Calif. *Argus*, describing the chaotic and dangerous situation on the docks faced by returning longshoremen: "[T]he infrastructure is cracking already ... but of course that will become our fault."

## Wall Street Braces for Deepest Job Cuts Yet

"Wall Street braces for deepest job cuts yet," the *Wall Street Journal* wrote Oct. 8, as the bear market continued its rampage on The Street. Since the end of 2000, the nation's securities firms have laid off 32,287 employees, or 8.8% of their workforce, with no end in sight. Credit Suisse First Boston's announced 1,700 job cuts Oct. 7, following JP Morgan Chase's earlier news that it is considering 4,000 layoffs, or 20% of its investment-banking department workforce.

Wall Street executives, it notes, hoped "to hold on" to employees, "betting that the bear market would lift." But now, after mergers-advisory work is down 43% to \$351 billion, from \$616 billion in 2001, global underwriting volume fell 12.6% to \$774 billion in the 3Q over last year's 3Q, and only seven public offerings were made in the 3Q just concluded— "the fewest since 1980"— writes the *Journal*, the executives are "waving the white flag— and handing out the pink slips."

## Thousands More Added to Jobless Rolls

Reflecting the collapse of the manufacturing sector worldwide, the following companies announced new rounds of layoffs:

- \*GE Aircraft Engines, a division of GE, will cut 1,000 jobs this year, and 1,800 next, at its Evendale, Ohio plant, as a result of the drop in orders for new engines by the airlines.

- \*Raytheon will cut 500 workers in its Massachusetts and California plants, due to having lost a satellite contract.

- \*Corning Inc. says its ailing fiber-optics business will require more job cuts and may close plants in North Carolina, Germany, and Australia. It earlier announced it would idle four optical-fiber plants this fall and has already cut 4,000 jobs this year, on top of 12,000 last year.

- \*Lucent Technologies, the struggling telecommunications company affiliated with Bell Labs, will lay off 10,000 people between now and March, leaving the total workforce at 35,000, down from its peak of 155,000 a few years ago. The new cuts were prompted by Lucent's expectation of a \$2.2-billion loss for its fourth quarter, which ended Sept. 30— its ninth consecutive quarterly loss.

- \*Maytag Corp. will close its Galesburg, Ill. refrigerator-production plant, resulting in 1,600 layoffs. A company spokesman said the plant can no longer compete with its competitors, who have moved production to Mexico.

## United Airlines Bankruptcy Still Threatens as Union Deal Falls Through

United Airlines, the nation's second-largest air carrier, has for two months been trying to stave off bankruptcy by winning \$9 billion in concessions from its five unions, along with other expenditure cutbacks. But on Wednesday, the International Association of Machinists (IAM) withdrew from a union coalition, to independently negotiate its workers' concessions. United has asked for \$9 billion, but the unions counter-offered \$5 billion. The union employees own 55% of the company and hold two seats on the Board of Directors— their payoff for bailing out the company in 1994— all of which would be lost in bankruptcy.

Labor and creditor concessions are conditions for United to get a \$1.8-billion Federal government loan guarantee.

United faces a series of debt payments in the weeks ahead. On Nov. 1, it must pay \$41 million in interest payments on two bonds. In November and December it must also pay \$945 million on accrued debt.

In the last 18 months, United has racked up nearly \$3 billion in losses, and next week is expected to announce huge third-quarter losses.

The airline industry is being asked by the FAA to improve flight programs and security, a big component of which requires purchase and installation of new screening machines at \$1 million each. These expenditures are estimated to amount to \$11 billion (over the next 10 years)—yet the industry is expected to lose \$7 billion this year.

### **Handwriting on the Wall for JP Morgan Chase, But It's Not Alone**

JP Morgan Chase is in a death spiral, and will have to find a merger quickly to avoid public catastrophe, in the estimation of *EIR* economist John Hoefle. Morgan Chase's stock fell to \$15.45 on Oct. 9, dropping its market cap to \$30.8 billion (from a peak of \$106.5 billion). The blood is in the water, and if Morgan is not already having problems finding counterparties for its derivatives deals, it soon will be, whatever Fed guarantees it might have. There have been rumors that Morgan would be merged with Citigroup, but Citi has its own problems and CEO Sandy Weill appears to be fighting for his life.

Morgan Chase, which has not yet reported its third-quarter numbers, has announced it will write off \$1.4 billion in loans for the quarter, and said overall trading revenue in July and August was \$100 million, compared with \$1.1 billion in the second quarter.

To help cut expenses, Morgan Chase will lay off about 4,000 of its 20,000 investment bankers, *Bloomberg* reported Oct. 4. With these cuts, the bank will have cut 14,000 people since the merger.

Morgan is not alone in the meltdown sweepstakes. Charles Schwab is down 82% from peak; Morgan Stanley is down 72%; Merrill Lynch is down 60%; Goldman, Sachs, 54%; Citigroup, 50%; Lehman Bros., 48%; and Bear Stearns, 45%. Merrill, which has already cut 15,000 jobs, is preparing further cuts, according to Bloomberg.

### **Merrill Lynch Dumps 75% of Nasdaq Holdings**

In yet another sign of the doom of the "New Economy," Merrill Lynch announced it will stop trading 75% of the Nasdaq stocks it holds. With more than one-third of the Nasdaq listings now trading below \$5 per share, and dollar volumes crumbling by 35% in the first half of this year, Merrill Lynch sees no incentive to deal with these loser-stocks.

### **Gallows Humor Reflects Mutual Fund Disaster**

"How do I get my mutual fund manager down from the tree? Cut the rope!" That's the joke making the rounds of Wall Street these days, reflecting the damage done to the funds in the third quarter. Fewer than 1% of all mutual funds were in the black during the quarter, and the average equity (stock) fund fell 17.5%, the second-worst quarterly drop since 1987, according to the *Washington Post* Oct. 7. Even real-estate and gold funds, which tend to fare better in troubled times, lost money. Only the bear funds, which make their money by betting stocks will decline, had a good quarter. The total value of

assets in equity mutual funds dropped more than 16% in the quarter, to less than \$2.2 trillion, while the value of bond funds rose 4%, according to AMG Data Services president Robert Adler. During the quarter, investors shifted an unprecedented \$51.1 billion out of equity funds, and \$43.5 billion into bond funds, Adler said.

## Half of All U.S. Households Own Stock, As Markets Topple

Nearly half (49.5%) of all American households owned stock at the beginning of 2002, up from 48.5% in 1999, according to the latest "Equity Ownership in America" survey, published in September by the Investment Company Institute and Securities Industry Association. Some 52.7 million households and 84.3 million individuals owned stock, up from 49.2 million and 78.7 million, respectively, in 1999. The number of households with investments in stock mutual funds rose 12.4%, to 47.0 million from 41.8 million, during the period, with households owning stock inside employer-sponsored retirement plans rising 16.5%, to 33.2 million from 28.5 million, while those outside of employer-sponsored retirement plans rose 3.2%, to 28.8 million from 27.8 million. The number of households owning individual stocks declined 4.9%.

The majority of stock investors own equities through employee-sponsored retirement plans. Sixty-six percent of equity investors owned stock mutual funds in employer funds, and 17% owned individual stock (including employer stock), the survey said.

## WALL STREET POLICE BLOTTER

\*Massachusetts securities investigators say they have found the proverbial "smoking gun" in the **Credit Suisse First Boston (CSFB)** case: internal documents and e-mails which show that the investment-banking subsidiary of Credit Suisse demanded fees in exchange for positive stock ratings. "This is clearly a smoking gun in the area of criminal responsibility, especially as it pertains to Mr. Quattrone," said Massachusetts Secretary of State William Galvin, the state's top securities regulator. **Frank Quattrone** headed CSFB's Silicon Valley operation, a leader in the high-tech IPO business.

\***Buford Yates**, former director of general accounting for **WorldCom**, pleaded guilty to securities fraud and conspiracy, for his role in hiding more than \$7 billion in expenses to make the telecom giant appear profitable, saying he was instructed by supervisors to make "adjustments" to the company's books. He has agreed to cooperate with investigators against his former bosses.

Yates said in Federal court in Manhattan that he knew the wrong information would be reported to the Securities and Exchange Commission.

Sentencing was set for Jan. 9. Yates, if convicted of both charges, faces up to 15 years in prison and more than \$1 million in fines.

\*The U.S. Attorney's Office in New Jersey announced Oct. 9 that it has opened an investigation into whether **Bristol-Myers Squibb**, one of the nation's biggest pharmaceutical firms, improperly inflated sales figures, in a scheme involving discounts to wholesalers. The SEC opened a civil investigation of the same issues in August.

\*Two more **Worldcom** executives pleaded guilty Oct. 10 to Federal charges of securities fraud and conspiracy: **Betty Vinson**, former director of management reporting; and **Troy Normand**, former director of legal entity accounting, each pleaded guilty, in U.S. District Court in Manhattan, to the charges, admitting that they helped inflate WorldCom's earnings by concealing expenses. Vinson said that she was ordered by her supervisors to make accounting "adjustments." She and Normand are cooperating with Federal prosecutors, who are building a case against **ex-CFO Scott Sullivan** and **ex-chairman Bernard Ebbers**.



Vinson faces a maximum sentence of 15 years in prison, which may be substantially reduced for providing testimony in the case.

The Securities and Exchange Commission filed a complaint against Vinson and Normand, accusing them of violating anti-fraud reporting rules and of aiding and abetting the WorldCom fraud.

## **WORLD ECONOMIC NEWS**

### **Financial Insider: 'Global Banking Crisis' Is Here**

We are now in a "global banking crisis" which goes far beyond that of 1998, a European financial insider told *EIR* on Oct. 9. Already in late July, worries about a global banking crisis were spreading, focussing at that time on U.S. banks like Citigroup and JP Morgan Chase. Just when central bankers and supervisors thought they had the problem under control, the global banking crisis escalated again, and is now focussed on banks in Europe, and Germany in particular. Referring to the leak by a Merrill Lynch trader on credit derivative losses at Germany's Commerzbank (see [\*\*INDEPTH\*\*](#) article, "Europe's High Finance 'Faces Stiff Headwind'"), the source noted that there are obviously games being played within the banking sector, where banks try to deflect from their own problems by pointing to disasters at the others. However, Commerzbank is really in a serious liquidity crisis right now. Other large European banks are in a similar crisis, as they were hit by the stock market meltdown and the dramatic rise of bad loans. The crucial thing to watch now, he said, is whether there will be some emergency actions by the European Central Bank to rescue the banking sector.

Besides Commerzbank, whose stock price has collapsed from 40 euros to 5 euros within the last two years, there are several other European banks rumored to be "in big trouble," in particular, Dresdner Bank, HypoVereinsbank, and Credit Suisse. HypoVereinsbank admitted that it is piling up massive amounts of bad loans due to domestic insolvencies. A derivatives trader at Dresdner Bank recently noted in a private discussion that, if his bank were to rigidly assess all its problem loans, it would probably have to be shut down. A Swiss bond trader working for a U.S. investment bank reports that from his insight into the monthly bond trading volumes of competing banks, it is obvious to him that Credit Suisse is a more or less bankrupt entity that is desperately trying to keep up the facade. A London-based financial insider stated that the whole group of top international banks is in terrible shape. He concluded: "The system is going down."

### **Credit Suisse, Commerzbank Could Trigger 'Domino Effect' Collapse**

Credit Suisse and Commerzbank "have acquired pariah status," says the London *Economist* Oct. 11. "If the performance of European stock indices over the past few months seems bad, take a look at what has happened to the continent's banks.... [T]here is even nervous talk of a 'domino effect,' " the *Economist* said in its Global Agenda column. "Two banks in particular have acquired pariah status: Credit Suisse and Commerzbank." Credit Suisse has been "bleeding money" through its Winterthur insurance subsidiary, while Commerzbank has been hit hard by the European floods, \$1.9 billion in unrealized losses in its equity portfolio, and rumors of big losses on credit derivatives. "Commerzbank's independence is in question," the *Economist* added.

### **Fiat Workers Protest Layoffs; Block Rail and Highways**

Thousands of Italy's auto workers protested layoffs announced by Fiat, blocking railways and highways Oct. 10. Union leaders for the autoworkers held meetings with Fiat executives to discuss the restructuring plans which call for 7,000 job cuts— 20% of Fiat's workforce. After the meeting, union leaders announced that Italy's three unions would hold a nationwide, four-hour strike Oct. 11.

Fiat, Italy's number one automaker, and largest private-sector employer, has asked the Italian government for financial aid to assist in financing its restructuring plans. In the past the government has aided Fiat and other companies. But now under the strict European Union competition laws and deficit cap, the government is caught in a bind. It doesn't want the job losses, but it can't offer state aid and remain within the limits. Prime Minister Silvio Berlusconi said, "We hope to find an alternative solution, a solution that doesn't leave thousands of Italians ... without jobs." Official unemployment is at 9% nationwide, but in Sicily, where Fiat intends to close a plant, axing 1,800 jobs, unemployment stands at 20%. Faced with this dilemma, Italian Industry Minister Antonio Marzano hinted that Italy may have to revise its growth target for next year when he said, "I don't think the 2003 forecast includes the impact of the Fiat crisis."

## **Deutsche Telekom Announces Huge New Layoffs**

The troubled Bonn-based telecom announced Oct. 8, its preliminary plans to layoff 55,000 employees, mostly in the traditional telephone business in Germany, between now and 2005. The cost-cutting measure will, it hopes, allow it to save \$978 million annually. This would be a 22% cut of Europe's biggest phone company's workforce. These cuts include the earlier announced 30,000 positions to be axed.

## **China Eases Exports to Russia, Eastern Europe**

The China Export Credit Insurance Corporation (Sinasure) is expanding operations to help Chinese companies expand exports to Russia and Eastern Europe. In addition, on Oct. 11, the European Bank for Reconstruction and Development (EBRD) announced it would cooperate with Sinasure to promote trade between China and central and eastern Europe. The EBRD will provide analyses of Russian politics, economic systems, and markets. "We hope to stimulate China's exports to Central and Eastern Europe by providing preferential measures, such as offering low-interest loans and extended longer terms," said Rudolf Putz, a senior banker with the EBRD.

Sinasure is China's major policy insurer. It will now compensate losses incurred by Chinese firms in foreign exchange, when exporting to Russia. Sinasure official Zhu Jing'an said the measures were to help promote China's investments in and exports to Russia and Eastern Europe, and strengthen bilateral trade ties.

Trade between China and Russia has been expanding. It reached U.S.\$7.6 billion in the first eight months of 2002, and was at a record high of U.S.\$10.7 billion last year. However, China has a very big total trade deficit with Russia, at U.S.\$27.1 billion at the end of August, and still increasing rapidly. The most important Russian exports to China are high-priced military equipment.

# **UNITED STATES NEWS DIGEST**

## **LaRouche's Campaign Makes 'Chickenhawks' the Achilles Heel of War Party**

Reflecting the geometry created throughout the United States by the Lyndon LaRouche's 2004 Democratic Presidential campaign on the "Chickenhawks," the Nov. 4 cover of *The Nation* magazine is a drawing, portraying seven gawking, dumb birds roosting at the top of a tree, each of whose faces bears a likeness to a well-known political figure who is pushing war against Iraq. The title simply proclaims: Chickenhawks. The seven birds are: Senate Minority Leader Trent Lott; President George W. Bush; Deputy Secretary of Defense Paul Wolfowitz; Senator Joe Lieberman; House Majority Whip Tom DeLay; Talk-show host Rush Limbaugh; and *Weekly Standard* editor William Kristol.

*The Nation's* story is only one of several major pieces in the Establishment U.S. media, going after the war party which is



writing the "preemptive war" script for Bush, and is sweeping him into that. *USA Today* of Oct. 24 ran an op-ed by James Bamford, author of several books on U.S. intelligence, who exposed that the Bush Administration is pressuring the CIA to "cook" its intelligence and "find a *casus belli* ... whether one exists or not." Even the war-mongering *Wall Street Journal* on Oct. 23 reported that while George W. "repeats it regularly," there is "no hard evidence" connecting Iraq to al-Qaeda or other terrorism against the United States.

In October 2001, *EIR's* groundbreaking article, "The Wolfowitz Cabal Is an 'Enemy Within,' " exposed the operatives in the Bush Administration, who had been linked in 1985 to the investigation of Israeli spy Jonathan Pollard, as being behind the lying campaign to blame the Sept. 11 attacks, as well as the anthrax attacks, on Saddam Hussein. Since then, dozens of exposés have appeared identifying the small—but powerful—circle of Paul Wolfowitz, Richard Perle, and Douglas Feith as a Likud nest in the Pentagon. Since then, hundreds of articles in major journals in the United Kingdom, Russia, Israel, and the Arab world, have followed up on *EIR's* dossier, exposing the Chickenhawks as an international danger.

Copies of Lyndon LaRouche's strategic campaign leaflets can be found on <http://www.larouchein2004.com>.

### **'Chickenhawk Intelligence Agency' Exposed**

On Oct. 24, the *New York Times* revealed that the "Wolfowitz cabal" has been running its own intelligence agency in the bowels of the Pentagon. The exposé prompted Secretary of Defense Donald Rumsfeld to issue his usual angry denial about splits in the Bush Administration.

Several major exposés appeared this week:

*\*New York Times* Oct. 24: The *Times* quotes unnamed officials of the Bush Administration to the effect that, in fact, the Wolfowitz cabal is trying to *invent* intelligence it does not have about Iraqi links to al-Qaeda. Says the *Times*, "Top civilian policy makers are intent on politicizing intelligence to fit their hawkish views on Iraq." Quoting a Defense Department official, the *Times* adds: "Wolfowitz and Company disbelieve any analysis that doesn't support their own preconceived conclusions. The CIA is enemy territory as far as they are concerned."

*\*Columnist Georgie Anne Geyer*: Her syndicated column in the *Washington Times* Oct. 26 asks, "Might the U.S. Military Revolt?" She comments that there are voices in London and Washington filled with the "thrill" of war, but they want to send other 20-year-olds to do the fighting. As to the Chickenhawks of the "war party" around Rumsfeld and Cheney, she describes them as "former Cold Warriors, avid supporters of Likud, and ... abysmally uninformed on the Middle East." Likewise, in Congress, not one of the 435 members of the House has a son or daughter in the enlisted ranks.

*\*Washington Post* Oct. 22/24: *Post* opinion writer Richard Cohen assailed Bush and his team for making up information to get a war on Iraq. They "have exaggerated the Iraqi threat, creating links and evidence where they do not exist." Bush is not "punctilious about the truth," when he says that Iraq could use unmanned aircraft to attack the U.S., or that Iraq could develop nuclear weapons within six months, Cohen asserts. A front-page *Washington Post* article by Dana Millbank Oct. 22, called "President Enhances His Facts," noted that many of Bush's recent statements on Iraq have been "dubious, if not wrong," and noted that "a President who won election underscoring Al Gore's knack for distortions and exaggerations has been guilty ... himself."

### **U.S. Formally Introduces Iraq Resolution, To Block France and Russia**

On Oct. 25, in a move designed to preempt, or at least delay, any debate on the proposed French and Russian language on a new resolution concerning Iraq, the U.S. formally introduced its own Iraq resolution in the Security Council. Under the

parliamentary rules of the Council, the U.S. resolution has to be debated first, even though the French and Russian resolutions were subsequently introduced, putting three texts into the hands of the UNSC member-nations. Diplomats expect that a vote will take place by Nov. 1.

After his meeting with Chinese President Jiang Zemin, President Bush said, "Let me put it bluntly; there must be consequences" for Iraq. In a letter to UN Secretary General Kofi Annan circulated on Oct. 25, Iraqi Foreign Minister Naji Sabri accused the U.S. of delaying the arrival of the weapons inspectors and fomenting war.

One day earlier, Russian Deputy Foreign Minister Yuri Fedotov warned that putting the U.S. resolution to a quick vote would be "counterproductive," saying that the latest draft contains provisions which are "impossible to implement" and which could thwart the work of UN weapons inspectors. "Russia is also concerned about some provisions in the revised draft which, albeit camouflaged, could be used to justify the use of force against Iraq," Fedotov said.

### **Coiner of 'Axis of Evil' Phrase: U.S. Is Launching 'Revolutionary' Process in Mideast**

In an Oct. 25 *Daily Telegraph* article titled, "The Truth: America Is Indeed Subverting the Middle East," David Frum, the former Bush speechwriter who coined the "axis of evil" formulation in President Bush's 2002 State of the Union message, boasts that the U.S. is launching a "revolutionary" process in the Mideast, which will overthrow the Saudi ruling family and the "Mubarak clan" in Egypt.

Frum, who left the White House soon after the Bush State of the Union, is now at the American Enterprise Institute, and is currently in Britain.

He warns Britons who object to the current trends in U.S. foreign policy, that "since Sept. 11, America has ceased to be a 'status quo' power in the Middle East, and has become, or anyway is becoming, a revolutionary one.... The Middle East is now a region of overpopulation and underemployment, where tens of millions of young men waste their lives in economic and sexual frustration." They direct their rage at the West, at the U.S., at Israel. This "old order" has become "unsustainable."

Frum writes that "the Americans every day take ... actions that subvert and undermine the old order in the Middle East.... And most subversive of all is the looming war with Iraq.... Democratization and liberalization mean doom, not only for the rulers of the moderate states—the Saudi royal family, the Mubarak clan, and so on—but also for a much broader swath of the elite...."

### **Zinni Calls for Permanent Quartet Intervention into Israel-Palestine Crisis**

General Anthony Zinni, in a recent speech at Virginia Military Institute, called for permanent intervention by the Quartet (the U.S., the European Union, Russia, and UN Secretary General Kofi Annan) into the Israel-Palestine crisis. Zinni (USMC-ret.), the former commander of the Central Command, not only denounced the idea of a war on Iraq, but said the Iraq situation was only the fourth or fifth priority for U.S. policymakers dealing with the volatile Middle East. The number one priority, he said, was the Israel-Palestine situation.

In regard to that, he offered a detailed proposal involving a permanent intervention on the ground in the region by the Quartet, saying a permanent team of diplomats should be stationed there, working fulltime on reviving the peace process. Zinni offered that it would take a full year of non-stop activity, with the full weight of the Quartet, to get the situation back to where it was at the time of the Taba talks, during the Clinton Presidency.

Zinni also said that he considered the Iran situation the second regional priority, one in which he saw bright prospects for real reform, if the West threw its backing behind Khatami and the reformers, and sought ways to normalize relations.

## **Perle on Warpath Against Saddam Hussein Since 1987**

So says an Oct. 15 article in the *Los Angeles Times*, which goes on to explain that in 1987, Perle "criticized the U.S. government for tilting toward Iraq in the Iran-Iraq War, arguing that Hussein was more of a threat than the ayatollahs."

The *LAT* article notes that, while a student at Hollywood High School, young Perle became friends with Rand Corp. analyst Albert Wohlstetter's daughter, and that later, Wohlstetter brought Perle to Washington. In Washington, Perle became part of the brain trust of Sen. Henry "Scoop" Jackson (D-Wash), along with Paul Wolfowitz, Frank Gaffney, and Charles Horner (now a retired general at the Hudson Institute, and a member of Perle's Defense Advisory Board).

According to the 1991 book *The Death Lobby*, by Kenneth Timmerman, Perle's obsession with Iraq goes back farther, at least to 1984, when he was furiously protesting West Germany's sales of high-technology civilian equipment to Iraq, and trying to block similar U.S. sales and Commerce Department export licenses. At that time, Perle was Assistant Secretary of Defense for International Security Policy, and working under him were Steven Bryen (who had been caught slipping classified documents to Israel in 1978), plus Frank Gaffney and Doug Feith.

In 1985-86, State Department officials responsible for the Middle East singled out Perle and Bryen for their obstructionist behavior in trying to block export licenses. Among purchases being blocked by Perle and Bryen were computers for Iraq's oil industry, and machine tools for its steel industry. "They are not interested in the Gulf, except when it comes to technology transfer," said one State Department official. "They are dead set against the sale of perfectly ordinary computers to Iraq."

## **CIA Expanding Its Domestic Operations**

The Central Intelligence Agency will post officers in almost all of the FBI's 56 terrorism task forces around the country, according to a *Washington Post* article. CIA officers, however, are not supposed to take part in operations or make arrests. FBI Director Robert Mueller described the new arrangement as similar to MI-5 in Britain. "It goes some distance to accomplishing what the MI-5 does," Mueller said. The CIA is also increasing the number of case officers in its domestic National Resources Division—recruiting foreigners, debriefing U.S. citizens who have been abroad, and so on, which it has done for many years.

"We are stepping into an area that is fraught with peril," said Fred Hitz, former CIA general counsel.

## **Former Times Editor Demands Preemption, Blasts France and Germany**

Although the *New York Times* editorial policy at present opposes war on Iraq, former *New York Times* editor A.M. Rosenthal, writing an op-ed column in the Oct. 21 *Washington Times*, invoked former Secretary of State George Shultz to urge preemption, and blasted Germany and France for opposing the U.S. over war on Iraq.

Rosenthal started his column: "Preemption," said George Shultz. "You can't negotiate with the terrorists. You've got to put them down. People are shocked by that word. Get used to it." Rosenthal reports that Shultz said this at a recent unnamed meeting in New York, and then defines the first task as being to "wipe out the greatest danger existing—Saddam-directed world terrorism." Then, to give preemption some heft, Rosenthal takes on the European allies: "France and Germany insult and desert the U.S., but they are already in the garbage pail of international respect." For good measure, he throws in the

UN, "mostly a collection of sycophants, liars, double-crossers."

## **Jeb Bush Could Lose Florida Gubernatorial Election**

Running for reelection as Governor of Florida, Presidential brother Jeb Bush is in an extraordinarily tight race. In addition to his problems from a running scandal over mismanagement in the state's child welfare agency, Gov. Bush seems really to have put his foot in it by opposing the passage of Amendment 9, a ballot initiative that would create mandatory caps on class sizes in the state's public school system. Florida schools are notoriously overcrowded, and Bush is balking at spending more money on education—a very unpopular stance, and one opposite from that of his Democratic gubernatorial rival, Bill McBride. Democratic National Committee chairman and moneyman Terry McAuliffe recently identified the Jeb Bush Florida race as "the most important" election in America for the Democrats, operating from the presupposition that a defeat for Jeb in November, would be a major blow to George W's reelection hopes.

## ***Washington Post* Endorses All Republicans in Virginia Races**

In its "For Congress in Virginia" editorial on Oct. 19, the *Washington Post* uncharacteristically endorsed all Republicans. Starting off with the Senate, the *Post* writes:

"Once again, Republican Sen. John W. Warner has a near-clear path to re-election; the Democrats' failure to field an official party choice leaves him with two opponents: Nancy Spannaus, whose allegiance to Lyndon LaRouche ought to be enough to ensure her defeat, and relatively unknown independent Jacob G. Hornberger. When it comes to representing Virginia's interests in Washington, especially the military and defense constituencies, Senator Warner's influence has been a great asset; so too his efforts for this region."

The editorial mainly attacks Northern Virginia Democratic Congressman James Moran, whose Republican opponent they endorse. They also endorse Frank Wolf against the Democrat John Stevens.

The fact that the *Post* does not expose Hornberger as the pro-drug Libertarian wacko he is, would indicate that the paper hopes he will get (by fair means or foul), the anti-Warner vote, pulling it away from Spannaus, who is far better-known in the state.

## **Supreme Court Refuses To Consider Whether It's Constitutional To Execute Minors**

The U.S. Supreme Court, which recently abolished the death penalty for the mentally retarded, has voted 5-4 against taking up the question of whether executing killers under age 18—or those whose crimes were committed when they were under 18—violates Article VIII of the U.S. Constitution, prohibiting "cruel and unusual punishment."

In writing for the dissent, Justice John Paul Stevens, unfortunately, relied on the concept of "evolving standards of decency," rather than on natural law, which is the underpinning of the Constitution. "The practice of executing such offenders is a relic of the past and is inconsistent with evolving standards of decency in a civilized society," Stevens wrote, adding, "We should put an end to this shameful practice." Stevens was joined by Justices David Souter, Ruth Bader Ginzburg, and Steven Bryer.

On the other side, were the familiar fascist faces: Chief Justice William Rehnquist, Justices Antonin Scalia, Sandra Day O'Connor, Arthur Kennedy, and Clarence Thomas.

Meanwhile, in Illinois, outgoing Gov. George Ryan (R), has convened nine days of hearings to review 139 cases of Death

Row inmates. Ryan, who chaired President Bush's Illinois campaign in 2000, underwent a Damascus Road conversion on the issue of the death penalty, after DNA evidence exonerated 13 Death Row inmates in Illinois two years ago. "This is a major event," said Richard Dieter, executive director of the Death Penalty Information Center of Ryan's initiative. "If this results in most or all of the cases being overturned, it says there's a serious problem in a large Midwestern state, and other states may decide if they need to take a serious look at the 3,000 or so other people on death row."

At the same time, the U.S. Court of Appeals for the Second Circuit on Oct. 21 was to address the constitutionality of the death penalty. Arguments were to be heard in the case of *United States v. Quinones*, an appeal by the U.S. Attorney of a lower court ruling by Federal Judge Jed S. Rakoff, who declared the Federal death penalty unconstitutional on July 1 of this year. In his ruling, Judge Rakoff stated that it is "fully foreseeable that in enforcing the death penalty, a meaningful number of innocent people will be executed who otherwise would eventually be able to prove their innocence."

## **IBERO-AMERICAN NEWS DIGEST**

### **LaRouche on Argentine Radio: Bury the System or Bury the People?**

U.S. Presidential candidate Lyndon LaRouche had much to say about the world depression, its effects on all of Ibero-America, and what to do about it, when interviewed by telephone Oct. 20 on *Radio El Mundo* of Buenos Aires, Argentina, a widely listened-to national station. "If you look at the reality, the entire region, from Mexico south to the bottom of Patagonia, is in a state of existential collapse," LaRouche said. "The IMF conditionalities will assure a total collapse. If the conditionalities are not imposed upon these countries, that will mean a collapse of the IMF. If they collapse Argentina and Brazil, the IMF will collapse anyway."

Dollarization is no solution to the financial bubble, he said. "Dollarization is like you're sick with a cold, and you take a dose of bubonic plague as a cure for the cold. You see what it's done to Brazil, since the Fraga-Soros agreements were made with the IMF in the fall of 1998, when the dollarization program was developed. You see how much worse this [push for dollarization] made the situation in Argentina." Likewise, with free trade, which he called an echo of what happened in Europe's 14th-century New Dark Age. Whatever else might be uncertain about the future, if the free-trade agreement is pushed through, the nations of the Americas will vanish as nation-states over a fairly short period of time.

"The Europeans— France, Italy, and Germany— are moving toward a reform of the existing European and also world financial system," he told the Argentines. "Europe is on the verge right now of a fundamental change and reversal of many features of the so-called Maastricht or European Community agreement. This is not a matter of a political trend. This is a matter of whether you stay on a sinking ship or you get to a lifeboat." Hope lies, he said, in the tendency "to go back to the sovereign nation-state as the basis of economics. ...

"Argentina is on the edge of extinction. How much further can we go with what has happened already? ... What happens to Argentina with the present trend, if Brazil goes down into the same pit? Argentina would have absolutely no future, if this were to happen. So, we have to reverse this trend, and there is a growing international tendency among nation-states, to go there.

"What is happening is, when people start talking about U.S. economic policy and IMF economic policy, people are going to reach for their pistols. We're at the end. There is no durable consensus for the present trend in the world economy today. And therefore, for Argentina, the question is, can there be enough other states which recognize that Argentina's present condition is their immediate future, in order to make solidarity with Argentina and similar countries, to force through what would be considered sudden and revolutionary changes, in economic policy?



"The entire international financial, monetary, economic system, the free-trade system, is now totally discredited in fact, and it's about to be buried. Are we going to bury the system, or are we going to bury the people with it? That is the question."

## **Queen's WWF Loses Lawsuit Against LaRouche Forces in Brazil**

Judge Paulo Maurício Pereira, of Rio de Janeiro's 24th Civil Jurisdiction, has thrown out the lawsuit filed by the Brazilian chapter of Prince Philip's Worldwide Fund for Nature (WWF) against the Ibero-American Solidarity Movement (MSIA), associates of Lyndon LaRouche, as being without merit. In the suit, the environmentalist non-governmental organization created by the British monarchy had demanded 50,000 reals indemnization for "moral damages" allegedly caused by the MSIA's repeated denunciations of the WWF's political activity at the head of Brazil's environmental movement and abroad, as well as of the damaging effects of radical environmentalism on socio-economic development generally, and particularly on large infrastructure projects. WWF-Brazil, headed by the vice president of Organizações Globo José Roberto Marinho, was ordered to pay for the cost of the proceedings and lawyers' fees, and has 15 days to appeal the verdict.

The WWF-Brazil's suit placed emphasis on the MSIA's May 2000 pamphlet, "The WWF's Forest Trap," on whose cover appeared a panda bear chewing on a human bone. (The panda is the WWF's trademark.) The pamphlet, the WWF charged, was filled with "absurd, mistaken, and unfounded information, a real exercise in creative speculation, with texts filled with lies and absurdities, not to mention the illegal use of the WWF logo and image of the panda bear, known worldwide as the plaintiff's trademark."

In his ruling, Judge Pereira wrote that the MSIA's denunciations are coherent with the freedom of expression guaranteed by the Federal Constitution. Moreover, the opinions expressed do not constitute "falsehoods or distortions, as they can be summarized as discussion involving what nationalists call 'the imperialist policy of the great world powers' and 'the policy of the internationalization of the Amazon,' material which for some time has been discussed by the media, including by members of the Brazilian government and military, seen as their duty to defend our borders and sovereignty."

As for the panda image, Pereira didn't consider it as an offense to the plaintiff, "but rather a spirited speech, a playful composition, taken in the context in which it was used." In addition, "It's worth remembering that Mr. Luiz Inácio 'Lula' da Silva has also been portrayed 'eating babies,' yet today, is close to being elected President of the Republic; making clear that a simple accusation cannot cause harm to someone's reputation, chiefly because it always has a bit of humor and enjoyment embedded within it, leading us to recall the words of Umberto Eco [*The Name of the Rose*]: 'He who laughs doesn't take seriously that about which he is laughing, but neither does he hate it.' "

## **New York Times Slander of Dr. Enés Exposes Establishment Fear of LaRouche**

Sources close to Brazilian Congressman-elect Ené Carneiro told *EIR* that Dr. Enéas had given *New York Times* reporter Larry Rohter an earful on Lyndon LaRouche and the need for a New Bretton Woods, when interviewed. True to form, the *New York Times*, in its coverage Oct. 21 of Enés's unprecedented vote does not mention LaRouche or the New Bretton Woods, but instead, puts out the oligarchy's line of attack against the soon-to-be Congressman. Hovering over the piece like a specter is the fear that LaRouche could pull off a similar election upset in the United States, come 2004.

Even the headline is nervous: "Long Treated as a Joke, Brazilian Neofascist May Have the Last Laugh." It opens: "For years, he was written off as an eccentric fringe candidate, a neofascist oddity, a crackpot even. But Enéas Ferreira Carneiro got his revenge in the general election this month, when more than 1.5 million people here in Brazil's largest state voted for him, giving him more votes than any other Congressional candidate in Brazilian history." Elected officials are calling for an overhaul of the voting system, "to prevent 'the Enéas phenomenon' from ever happening again."



Rohter allowed as how Dr. Enéas campaigned by attacking Brazil's status as a "colony of the multinationals.... The backbone of his campaign was a blanket condemnation of the status quo and of both of the leading Presidential candidates and their parties"— and this produced "startling results." Dr. Enéas said the message was: "The electorate supported me as a clear, resounding and unmistakable repudiation of a political class that is rotten, dirty, repugnant and unpatriotic."

The *New York Times* counters those who argue that Dr. Enéas should be dismissed, with the message: Slander him as "a Brazilian version of [France's] Jean-Marie Le Pen," "an integralist," a "neo-fascist."

## **Magnitude of Eneás Victory Stuns Elites**

The depth and breadth of Dr. Ene@as's victory in São Paulo has struck terror into the Anglo-American Establishment, as can be seen in the detailed profiling of PRONA's win in *Folha de São Paulo* Oct. 19. The oligarchs realize they have to contend with a broad-based revolt against their policies, and it terrifies them. *Folha* notes, for example, that the areas north and east of São Paulo, gave Dr. Enéas 25% of his total votes, and 34% of the total won for São Paulo State Legislature by Dr. Havanir Nimtz. In the town of Villa Maria, 15 out of every 100 people who voted for Federal deputy, voted for Enéas; in Penha, nine out of every 100 who voted, voted for Dr. Havanir.

Nor was the "Enéas phenomenon" limited to the outskirts of São Paulo city. "Without any trips, no committees and no rallies, there was not one of the 645 São Paulo municipalities in which the candidate wasn't chosen by at least one voter," and in fact, the smallest vote Enéas got in any one town was four. In Dr. Havanir's case, there were only two municipalities in which no one voted for her. "In all the others, there she was, in anywhere from first to 54th place, garnering 681,991 votes— more than double the second-place candidate."

PRONA only has offices in 50 São Paulo cities, limited funds, can't pay for TV time, etc. And yet, *Folha* ponders, "this year, for reasons no one quite understands, what was a disadvantage turned into a success."

The fact that this happened in São Paulo, historically the economic and political powerhouse of the country, has the Establishment really terrified. On Oct. 18, before running its slander of Dr. Enéas (see above), the *New York Times* ran a profile of "the power of São Paulo," which acknowledged that, "if São Paulo were independent of Brazil, its population and Gross Domestic Product would surpass those of Argentina and Colombia, the most populous countries and biggest economies in South America after Brazil. São Paulo accounts for more than a third of Brazil's Gross Domestic Product," and the city alone generates more than a quarter of Brazil's tax base." And, as one sociologist told the *Times*: "The state is an unstoppable force destined to play an increasingly large role in Brazil's political and intellectual life."

## **Anglo-American 'Utopians' Form 'Axis of Stupidity' in Their Attacks on Brazil**

Celso Amorim, Brazil's Ambassador to Great Britain, charged that the London *Financial Times* is part of an "Axis of Stupidity." The Ambassador was responding to an article published in the Oct. 23 *Financial Times*, which included the ravings of utopian Constantine Menges (see INDEPTH, "Venezuela: It's the Economy, Chico," for more on Menges) who warns that, should Luiz Inácio "Lula" da Silva win the Presidential elections on Oct. 27, Brazil will form an Ibero-American "Axis of Evil" together with Venezuela's Hugo Chávez and Cuba's Fidel Castro. The *Times* dedicates the first half of its lengthy article to Menges' warnings, then adds that a less "ideological" view of shifts to the left in Ibero-America is that they "are part of a broader rejection of established politicians and the perceived failures of market-friendly reforms."

Amorim was angry that the *Financial Times* published Menges' utterings, which had appeared some weeks ago in the Moonie-owned *Washington Times*. In statements to *Folha de São Paulo* Oct. 24, Amorim said, "This is totally improper,

and can only constitute part of the axis of stupidity. I'm surprised that a paper like the *Financial Times* would publish something like this, just warmed over from the right-wing American press." It is absurd that these remarks are played up, "totally disproportionate to the authority of those persons," Amorim told *Folha*.

Then, in a letter to the *Times*, Amorim argued "the simple fact that these comments were reproduced in a prestigious journal like the *Financial Times* tends to give credit to a combination of preconceived and uninformed opinions, which are better described as constituting an 'axis of stupidity.'"

### **Chávez Tells BBC Venezuela Will Oppose Arab Oil Embargo if U.S. Goes to War vs. Iraq**

The "revolutionary" President of Venezuela Hugo Chávez told BBC Oct. 18, during a visit to London, that while he would like all diplomatic solutions to be exhausted before any military action be taken against Iraq, Venezuela would not support an Arab oil embargo against the United States should the U.S. go to war, and would work within OPEC to head off any general embargo. He couched his announcement as a defense of "the Peoples," saying that "we cannot use oil as a political weapon.... Oil is a strategic resource so you cannot use it so people won't have heating, electricity, air transportation because then we will be damaging people, the economy, and society as a whole."

Reports were circulating the week of Oct. 13-19, that representatives of the government of the United States and Venezuela had just met to discuss a long-term energy security accord.

### **Chávez Phenomenon Looming in Ecuador?**

The first round of Presidential elections in Ecuador on Oct. 20, brought former Army colonel and Chavista coup-maker Lucio Gutiérrez into a front-runner position, with just over 20% of the vote, versus Ecuador's wealthiest man, banana tycoon Alvaro Noboa, who polled just under 18%. Nine other candidates who also ran, were eliminated from the run-off balloting. The vote for Gutiérrez, in particular, is rightly viewed as a "revenge" vote against the elimination of the national currency, and its replacement with the dollar, in 2000.

Were Gutiérrez to win, his victory would tend to strengthen the narcoterrorists' political power in the hemisphere. He has declared himself "neutral" on the Colombian conflict (i.e., backing the FARC/ELN forces), and, since leading a military-Indian uprising in January 2000, he has coordinated with Venezuela's Hugo Chávez, and travelled on the World Social Forum circuit.

Regardless of who wins the election Nov. 24, the new President will immediately face the International Monetary Fund, when he takes office. Because of the country's dollarization in 2000, Ecuador cannot rely on the usual tricks of devaluing the national currency or printing money to stave off financial disaster. The result is that the country is in desperate need of an immediate \$250-million infusion, and will have to adhere to vicious austerity terms to get it. The talk among economists in Ecuador is that the country's financial system and economy is heading towards an Argentina-style collapse by January 2003.

Ecuador is a country of 13 million, heavily dependent on exporting oil and bananas. Since 1999, some 20 of its 41 banks have gone belly up, 3 million people have lost their savings, thousands of small companies have disappeared, half-a-million Ecuadorans have emigrated, and the number of those living below the poverty line has surged from 50% of the population, to a whopping 70%.

### **Colombia's Cities Wracked by Narcoterrorist Warfare**

A car bombing in the Colombian capital of Bogota in the early morning of Oct. 22 brought the war which has broken out in the country's other major cities, home to the capital. A car filled with a new granulated explosive, more powerful than dynamite, exploded in a parking lot next to the Bogota police command headquarters, killing two people and wounding 36. No one has yet claimed responsibility, but the FARC is believed to be responsible. Anti-terrorist units of the police and military have been sent into at least 100 different areas of Bogota, conducting raids.

Combined police/military forces have also moved into large areas of Cali, Colombia's second-largest city— in an attempt to root out FARC/ELN urban hideouts before things erupt into bloody street warfare.

The FARC, ELN, and paramilitaries have also deployed heavily into Medellin, Colombia's third-largest city. In the past two weeks, there have been major street battles inside the city between police and military forces backed by tanks and heavy weaponry, and armed terrorists who have recruited extensively from the ranks of unemployed youth and killer-thug remnants of the Medellin Cartel. An official death toll of 15, plus 170 arrests and scores wounded, is reported. Amnesty International and the human rights NGOs are loudly insisting that negotiations, not military "excesses," are the solution.

President Alvaro Uribe Velez, who is the former governor of Antioquia province (Medellin is its capital) is adamant that his administration will "take back" the cities from these criminal elements, and has already put the 20 neighborhoods that comprise Comuna 13— where the terrorists are concentrated— under military oversight. A curfew has been imposed, and motorcycles, the transport of choice for assassins and bomb-throwers, have been prohibited.

Uribe is also attempting another strategy, which is being dubbed "urban reconciliation." The Mayor of Medellin announced, with the financial backing of the Uribe government, a program of job creation, reeducation and training; stipends will be made available to anyone prepared to abandon the narcoterror groups in Medellin (from both the "left" and "right").

## **WESTERN EUROPEAN NEWS DIGEST**

### **French Government Tries To Jam Up Momentum Toward Iraq War**

By demanding a resolution in the UN Security Council different from that of the Anglo-Americans, the French government is trying to "jam up" the momentum toward an Iraq war.

That effort received a massive boost at the recent "Francophone nations' summit" in Beirut (see below), a senior French diplomatic source told *EIR*. He said: "The sentiment at the Francophone summit was extraordinary; they gave full backing to French government efforts to stop this drive toward war. There were 43-45 heads of state attending, in Beirut. Because of the Iraq war, many more people were in attendance than expected, some 2,500 people, whereas only half were originally expected. There is clearly a strong mood, to balance a monopoly of American power."

In this individual's view, "There is a chance to stop this war, unless the people pushing for it provoke some terrible terrorist incident. Even that, has become more difficult to do, than it was earlier. But there is still a danger, that the war party will 'invent' a war, by some drastic action."

### **Leaders From Over 50 Francophone Countries Meet in Beirut**

Leaders and representatives from over 50 Francophone countries in Africa, Asia, and the Mideast gathered in Beirut earlier in October for their bi-annual meeting, where they issued a "Beirut Declaration" that called for "an immediate relaunching of the peace process in accordance with the Madrid Conference and UN resolutions, namely, Resolutions 242 and 338 of

the UN Security Council." It also expressed their support for the Arab peace initiative adopted at the Beirut Arab League summit on March 27.

On the Iraq crisis, the declaration was tough. "We defend the supremacy of international law and the prevailing role of the United Nations and call upon collective responsibility to resolve the Iraqi crisis and on Iraq to respect fully its obligations."

Hosted by Lebanese President Lahoud, the conference was chaired by French President Jacques Chirac. It marked a "turning point in the history of the Francophonie," said Lahoud, "because it was the first to be held in an Arab country and to attract so many heads of state." Chirac paid special tribute to Algerian President Abdulaziz Bouteflika, who attended as the first Algerian leader to participate in an event led by France, the former colonial power.

Chirac said the summit was "exceptional," because of its emphasis on peace. Asked about his position on a possible unilateral U.S. attack on Iraq, he warned against an "automatic reaction covered by the international community, without having determined the extent of Iraqi cooperation," adding that the two-proposal approach France seeks, is inevitable.

The importance of Lebanon as the venue was stressed, as a "crossroads between the West and the East, the North and the South, the Arab-Muslim world and the Christian world."

According to an Arab source, the summit was sure to provoke anger in Washington, not only because of Chirac's high-profile organizing against the Anglo-American policy on Iraq, but also because the French President demonstratively shook the hand of Nasrullah, the head of the Lebanese-based Hezbollah, who was among the participants.

According to the Arabic daily *Al-Hayat*, a Saudi-Lebanese publication, unnamed Lebanese officials who met with Chirac on the sidelines in Beirut reported that, in *Al-Hayat's* words, "Chirac said during his visit to Lebanon that France was ready to use the veto right in the Security Council, if the U.S. insist on having the right to strike against Iraq unilaterally."

The officials further quoted Chirac as saying: "France is for a UN resolution which gives the UN inspectors the required extent [for action], so that the war which some of them in Washington want to launch automatically, would not be part of the outcome of the Security Council [discussions]." Chirac reportedly added that "the hawks in Washington, and some of them are in the direct circle around President George Bush, are in a hurry to start a war...."

*Al-Hayat* added that the same officials said that the "French side" explained the reasons behind Chirac's concern by saying: "The hawks among the rightwing Christian fanatics in this Administration behave as if the objectives they are outlining are a divine inspiration from God, and this is what is pushing France to cooperate with other countries to reach an understanding setting the limits in the Security Council."

Finally, the Lebanese officials explained that the French side pointed to "Paris's concern that Iraq would end up under direct American control in the wake of any military attack." They said the French are convinced that the issue of Iraqi oil is high on the American agenda, and that the real source of concern is the "intentions of the hawks faction in the U.S. Administration for the region as a whole, in the context of an attack on Iraq, and in the frame of the growing animosity inside the Administration against Saudi Arabia, Egypt and Syria."

## **Rees-Mogg: War Is Only Weeks Away**

In his column in the Oct. 21 *Times* of London, Lord William Rees-Mogg repeatedly cited American political consultant Dick Morris as his main source, of the line that the American people will back a war with Iraq that will be unleashed in the December-January period. Writes Rees-Mogg: "In my lifetime, the United States has decided to go to war on four

occasions, and has come to the brink of war several other times. The four wars were the Second World War, Korea, Vietnam, and the Gulf War. Now, the United States is prepared to go to war again; indeed, it would require an extraordinary surrender by Saddam Hussein to prevent it."

He reports that on a recent visit to New York, Dick Morris told him that the prevailing mood in America is less "doubt" about an Iraq war, than "ambivalence.... Dick Morris's reading of American public opinion, is that support for the President's policy is, if anything, stronger than could have been expected at this stage." Rees-Mogg continues by asserting that post-9/11, Americans are determined to crush international terrorism, don't basically distinguish between al-Qaeda and Saddam, and "now believe that time is not on the side of the United States in the war against terrorism."

He adds that the Americans are angry at France and Germany, consider that France has not been a great power since 1870, and also consider that, in any case, the French maneuvers at the UN are much too weak to stop a war. By contrast, Americans love Tony Blair, ranking him with Margaret Thatcher and Winston Churchill, as "great" British Prime Ministers of modern times. "Historically minded Americans discuss the continuities between the Pax Britannica of the imperial period, and the Pax Americana of the present day."

His Lordship concludes that the U.S. is "determined," to disarm Iraq, and to change the regime. "In New York, the expectation was that war would happen at some time between mid-December and late January—a six-week window of opportunity which is only eight weeks away...."

### **Kissinger Worries Germany May Reorient Toward the East**

In his monthly column for *Welt am Sonntag*, Henry Kissinger wrote that there is more than meets the eye, behind recent polemics from Germany against the American war plans for Iraq. "The theme of Iraq was used as a pretext for a more national orientation of German foreign policy," he opines.

The postwar elites of Atlanticism are vanishing, writes Kissinger; he cites as other contributory factors the fact that eastern Germans don't have that pro-Atlanticist tradition, are critical of Western globalization and Western strategies. Hence, he writes, there exists the threat that Germany will return to Kaiser Wilhelm's pre-World War I policies. If that should happen, he warns, Germans would become totally isolated again.

Kissinger also expresses the following concern: "Questions are raised about the leadership role in Europe, maybe in cooperation with Russia, which gives attention again to certain Prussian designs of the 19th century," not to mention the period between the First and Second World Wars when Germany and Russia enjoyed a temporary rapprochement via the Rapallo Treaty; and not to mention the 1939 Hitler-Stalin Pact, or the 1960s-70s *Ostpolitik* period.

### **It's Official: Schroeder Reelected with Razor-Thin Margin**

German Chancellor Gerhard Schroeder was officially reelected Oct. 22, following the narrow victory of his SPD party at the polls earlier. His margin of victory in his election as Chancellor was a wafer-thin three votes. In terms of party relations, his risky experiment with a red-green (SPD-Green Party) coalition for a second term is based on a majority of only four votes in the national Parliament (Bundestag). And, of the 306 Bundestag votes the SPD and Green Party control, one was not even cast for Schroeder in the parliamentary vote Oct. 22—so Schroeder wound up getting only 305 votes, three more than the required absolute majority of 302. The Bundestag has 603 deputies.

Governing will always be walking a tightrope for Schroeder. On one or another essential issue of economic policy, or war and peace, coming up for a vote in the Bundestag in the near future, Schroeder may need even the two votes of the socialist



PDS Party, as several Social Democrats and Greens are not certain to vote for him on those occasions.

## **Bush Administration Gave Germans Ultimatum To Side with U.S. in the War**

As the *Frankfurter Allgemeine* daily reported front-page recently, the Americans have conveyed an ultimatum, a list of demands, to the German government, to be fulfilled by no later than the Prague NATO summit next month.

The demands include that Germany finally make clear that Saddam is the "bad guy" and not Bush, that Germany not cause problems for the Americans using their military bases and equipment on German soil, that the German ABC (Atomic-Biological-Chemical) defense unit now stationed in Kuwait remain there, and that Germany support Turkey actively and militarily, once the Turks invoke Article V of the NATO Treaty for self-defense against an enemy attack (from Iraq).

The latter demand is especially interesting in view of the fact that the Nov. 3 national elections in Turkey are expected to vote Prime Minister Bulent Ecevit out, and with him, the remaining anti-war current in Turkish politics.

## **France, Germany Agree on Agriculture Subsidies**

France and Germany have agreed on agriculture subsidies for the 10 countries that will join the European Community in 2004. The new members had demanded to get the same payments for their farmers right after joining—this was blocked by Germany, being the biggest donor for the EU, which demanded that the agriculture budget of the EU be kept the same. In this case, the payments for the farmers in the new countries would have had to be covered by proportionally cutting the subsidies for the farmers in the "old" countries. This position was rejected by France, which is the EU's biggest net receiver of subsidies.

The agreement is a classic compromise: The payments to the new members will rise more slowly, while the payments to the old ones will be cut less deeply. The new members will start by getting 25% of subsidies, then the level will rise gradually until 2006. From then on, spending on the Common Agricultural Policy would be fixed. French President Chirac explicitly demanded that privileges for member states like Great Britain, which gets a 2-billion-pound annual budget rebate from Brussels, be removed.

## **Euro Budget-Balancers Furious at Prodi's Repudiation of Maastricht**

The Oct. 20 *Sunday Telegraph*, the Hollinger Corporation's mouthpiece for the British oligarchy, assaulted Roman Prodi, President of the European Commission, for Oct. 17 statement that "the [European Union] Stability Pact is stupid, like all decisions that are too rigid...." The *Telegraph* is worried that the Stability Pact could unravel, and that the row which Prodi's statement has unleashed, "has erupted at a sensitive moment for the EU as leaders of its 15 member states prepare to meet in Brussels this week to try to agree to the terms on offer to 10 new members, several from Eastern Europe, that are being invited to join in 2004." The *Telegraph* wonders if such prospective EU members as the Czech Republic and Poland, which "are being urged to keep their belts tightened and press on with sweeping economic reforms," would continue to do so when France, Germany, and Italy do not adhere to such strict criteria.

The vitriol against Prodi was also expressed by Edmund Stoiber of Germany's CDU party, who stated, "What Mr. Prodi said clearly disqualifies him as President of the European Commission. He has squandered any remaining trust in the Commission in Europe." Britain's Graham Watson, leader of the Liberal group in the European Parliament, the second largest grouping, said, "There is already great concern that France is cocking a snook at the rest of the EU by saying that these rules do not apply to them."



In a second article, the *Telegraph* carries an opinion piece by Grant Ringshaw under the title, "Unstable Central Bank," which says that Prodi and others threaten "the credibility of the European Central Bank, and its President, Wim Duisenberg." Monetarist Duisenberg and the ECB need to stick to their policies. "If it does nothing, the damage to Europe's battered economies may be even greater."

## Russia and Central Asia News Digest

### Putin Cancels Diplomatic Travel, in Moscow Hostage Crisis

Russian President Vladimir Putin had to cancel his planned attendance at the Oct. 26-27 Asia Pacific Economic Cooperation summit in Mexico, due to the seizure of a Moscow theater by Chechen separatists on Oct. 23. The terrorists invaded a performance of the popular musical show *Nord-Ost (Northeast)*, taking hostage the audience and cast— over 700 people— and threatening to blow up the building if it were stormed. The hostage-taking ended at dawn on Saturday, Oct. 26, when Russian special forces stormed the building after the Chechen band began to shoot hostages. Over 100 hostages died, but 750 were rescued.

Putin also had to call off his scheduled Oct. 24 trip to Portugal, which was to have been preceded by a stopover in Germany for two hours of talks with Chancellor Gerhard Schroeder. The Russian and German leaders' wives had met over the previous weekend in Berlin and Kassel, in the context of their efforts to promote the study of Russian by German youth, and vice versa. The 300th-anniversary celebrations of the founding of St. Petersburg will take place next year and will feature a strong cultural component of German-Russian relations.

On Oct. 22, Russian Deputy Prime Minister Valentina Matviyenko visited Duesseldorf for economic talks, including on energy cooperation. Russian diplomacy in Europe also included Industry and Science Minister Viktor Klebanov's trip to Paris the week of Oct. 21 for talks with the French Finance Minister and a session of the Franco-Russian Economic Cooperation Council. Then after consultations with Russian government and banking officials, the European Bank for Reconstruction and Development decided to place its first long-term ruble-denominated bonds, in the coming weeks. And on Nov. 11, the EU-Russia Summit will be held in Copenhagen.

### Primakov: U.S. Underestimates Aftermath of Attack on Iraq

Former Russian Prime Minister Yevgeni Primakov was in Washington Oct. 18 to conduct some private diplomacy. He came as the invited guest of Henry Kissinger. After meeting with Vice President Dick Cheney and National Security Adviser Condoleezza Rice, he commented that the U.S. Administration "underestimated" what the aftermath of its planned strike against Iraq would be.

*RIA Novosti* reported: "The U.S. 'underestimates the price it will have to pay' if it deals a strike at Iraq, Primakov told newsmen. It is not only that there may be numerous casualties among the Americans, he said— the whole situation will change drastically. In his view, while at present the U.S. enjoys full support of the world community in its struggle against terrorism, after a strike at Iraq 'this will largely not be the case.'

" 'The situation will change also in regard to its relations with other states, not just with Russia,' he pointed out. 'I don't think that someone can simply support the U.S. strike at Iraq unless this will be done in keeping with a UN Security Council resolution,' Primakov said. In the opinion of the Russian ex-Prime Minister, the U.S. leadership has not yet taken a political decision on striking Iraq. Such a strike would be wrong even in terms of combatting terrorism, because there are no grounds to consider that such an action will reduce the possibilities for the emergence of terrorism— the contrary will most likely occur, Primakov warned. He stressed in this connection that Russia maintains a 'well-grounded and fairly

strong position'— it is necessary to ensure that all UN Security Council resolutions on Iraq be fulfilled, which should be done by means of the work carried out there by the inspectors."

Primakov develops these points in an article in the Oct. 23 issue of the magazine *National Interest*.

Perhaps due to his current position as Chairman of the Russian Chamber of Commerce and Industry, Primakov also reportedly endorsed the scenario for a huge increase in Russian oil exports to the U.S.— up to as much as 50 million tons of crude next year, in the context of the U.S. search for alternative oil supplies.

### ***Pravda.ru* Moots 'Pristina' Variant for Iraq**

The *Pravda.ru* wire service recently carried an analysis of official Russian dissatisfaction with the alleged guarantees that Russia's economic interests, specifically Lukoil's contracts, would be protected in a post-Saddam Hussein Iraq. The article quoted Lukoil VP Leonid Fedun saying that the company has received no assurances from the U.S. about the protection of its \$20 billion in contracts. *Pravda.ru* then speculated that it was not out of the question for Russian military intelligence (GRU) operatives to arrive suddenly in Iraq and arrange a rapid and honorable surrender by Saddam Hussein under a pretext like "to save the country from the horror of another war." The article compared such a hypothetical action with the swift surprise drive by Russian paratroopers to Pristina airport in Kosovo in 1999, catching NATO unawares.

### **LaRouche Sept. 11 Webcast Analysis of U.S. 'War Party' Covered in Russia**

Issue No. 42-43 of the widely read intelligence-connected Russian weekly *Zavtra* drew extensively from *EIR* and Lyndon LaRouche, in an article on the background and origins of the Iraq war policy and the new U.S. "National Security Strategy." Among other things, *Zavtra* gave prominence to LaRouche's characterization of the Cheney-Wolfowitz-Perle-etc. cabal as "insane utopians," and his statement, in his Sept. 11, 2002 webcast, to the effect that the "war party" was the sole beneficiary of the terror attack of 9/11. Otherwise, *Zavtra* focussed particularly on the Israeli/Sharon angle of the war policy, notably detailing the long history of Israeli intelligence operations against the United States.

### **Not by Chechen Forces Alone**

"This could not have been done by Chechen forces alone," said a Russian intelligence-linked observer, about the Oct. 23 hostage crisis in Moscow. "The operation was much too important and broader in implications. It can hardly be an accident, that the action came after Russia took a staunch position against the Bush Administration's war drive in the UN Security Council...." The observer indicated that the operation must have been assisted by some network inside the Russian security apparatus, possibly under foreign influence. Also, "There are various forces in the Russian establishment, who have an interest in dismantling Putin's power structure."

A senior Russian military intelligence expert commented to *EIR*, "The events in Moscow are part of a 'system' of worldwide actions designed to enforce compliance with the Iraq war drive." He saw this as the common purpose of the whole series of recent international terrorist incidents, including the Bali bombing and other incidents in Asia, the bombing in Finland, an Oct. 19 restaurant bombing in Moscow, and then the hostage-taking.

### **Russian Military, Intelligence Reps Push for 'Hard Line,' Throw Blame on Liberals**

In an Oct. 25 interview in the Russian Defense Ministry daily *Red Star*, well-known Chechnya war veteran Gen. Vladimir Shamanov declared: "Leave this matter to the professionals. People should get out of the way, and let professionals handle this. There can be some exchanges with the terrorists, but one thing is clear: there will be no giving in to their demands on

Chechnya.... Today the leadership of the country is faced with the decision between a 'bad' scenario and a 'very bad' scenario for how events might develop. The choices will be made at the top."

In what may become a chorus of "hard-line" reaction, Shamanov added a heavy attack against the Russian "reformers": "Exactly those liberal voices who are now screaming in the media about the 'incompetence' and 'mistakes' of the Russian security forces in this matter, are the same people who are responsible for destroying the Russian military and intelligence capabilities over the years."

Another famous figure from the Russian military and intelligence world, KGB General Nikolai Leonov, also blamed the reformers for "bringing the country and its secret services into such a terrible state." He asked, "Who was it that spread corruption to the point, that the Chechens could do whatever they want in Moscow? ... I raise the question of the responsibility of the so-called democratic and reformist forces, who have destroyed the state and weakened all of its security apparatus." Leonov called for use of force to end the hostage-taking: "If we believe in the sacred idea of the integrity of our country, then we must be prepared to accept casualties.... The terrorists must be annihilated, even if this means some of our citizens are killed in the process. I am not one of those who insist that not a single [civilian life] should be put at risk."

These interview appeared before Russian *spetsnaz* units ended the incident.

### **Brzezinski Saw Terrorist Incident as Opportunity for His Separatist Scheme**

Interviewed on radio Oct. 25, in his capacity as head of his American Committee for Peace in Chechnya, Zbigniew Brzezinski said Russian President Putin was caught between two fires, and had only one way out without a bloodbath that would destroy him. He must bring the "recognized elected President of Chechnya," Aslan Maskhadov in, to talk with the terrorists. Maskhadov will declare a truce, and Putin and Maskhadov must negotiate a ceasefire, which will be Maskhadov's offer to the terrorists. Challenged as to whether the Russian people would accept Brzezinski's scheme for such pro-separatism, he said the Russian people no longer support the war in Chechnya as they did in the past, and insisted his proposal is the only way for Putin to avoid disaster.

Brzezinski, who was Jimmy Carter's National Security Adviser, has long envisioned using Islamic groups against Moscow, and was the U.S. official who created the "Afghansi" warriors against the Soviet Union, that spawned al-Qaeda. His ACPC has co-sponsored talks between Maskhadov's representatives and leading Russian Parliament and other political figures. (See *EIW* of Sept. 9, 2002.)

Meanwhile, spokesmen for Aslan Maskhadov's Chechen grouping issued statements during the Moscow hostage crisis, disavowing responsibility for the theater attack. Maskhadov's *Chechenpress* reported that his deputy Akhmed Zakayev (who has been involved in the Brzezinski-sponsored diplomatic probes held in Liechtenstein this summer and, more recently, in Switzerland) was at the British Parliament on Oct. 24, where he told PACE rapporteur on Chechnya Lord Judd that "the Chechen leadership under President Maskhadov decisively condemns any actions against civilians."

In Washington, Maskhadov's representative Lema Usmanov suggested the attack was "a provocation."

### **Car Bombing at Moscow Restaurant**

The Russian Emergency Situations Ministry said an explosion Oct. 19 outside a McDonalds restaurant in Moscow was an act of terrorism. One person died. Press accounts variously attributed the bombing to criminal gangs, Chechen separatists, or anti-globalist leftist radicals.

## India, Iran Active in Central Asia

The rising profile of Iran in Central Asia, despite the heavy presence of U.S. forces in Afghanistan, Kyrgyzstan, and Uzbekistan, is being noted in the Indian and other regional press. Iran has introduced a direct flight from Tehran to Dushanbe, Tajikistan, supplementing an existing Dushanbe-Mashhad air link. The Iranians also plan to build a hydroelectric power plant in Tajikistan, as well as opening a cement manufacturing plant.

Similarly, India is getting busy in Central Asia. Beside setting up an air base in Tajikistan, India is in the process of acquiring a stake with Russia as partner in the proven Kazak oil field at Kurmangazy. A senior Indian official delegation is now touring Kazakstan to clinch the deal. And, in working toward deepening its political and economic influence in the region, Indian Prime Minister Atal Behari Vajpayee, who visited Kazakhstan in June, will be visiting Tajikistan and Kyrgyzstan later this year.

*The Hindu* says that India wants to build a major software development center in Central Asia and this effort would start by building a facility in Kyrgyzstan. India also wants Central Asia to be part of an extended trade network, with Myanmar and Thailand in Southeast Asia on the other end. India is currently negotiating with Iran and Russia, the construction of a North-South corridor that can be used for sending Indian goods to Central Asia via Iran.

## MIDEAST NEWS DIGEST

### Russians and French Denounce New U.S. Resolution on Iraq

On Oct. 19, in an interview with "The LaRouche Show," (see last week's *EIW*), Lyndon LaRouche noted that, with pressure from the international community in favor of a diplomatic track towards Iraq, and against military action, George W. Bush would be faced with the prospect of taking the unilateral action, that his current team of warmongers would like, in order to advance the utopian imperial doctrine. As *EIW* goes to print, events at the United Nations have reached a point close to the level of "showdown" referenced by LaRouche.

After meeting with chief UN weapons inspector Hans Blix on Oct. 22, Russian Foreign Minister Igor Ivanov said, "The American draft resolution [formulating demands on Iraq] ... does not meet the criteria which the Russian side laid out earlier and which it confirms today."

Blix himself said, "They may have evidence [of weapons violations], I am not brushing it aside, but in our [the UN weapons inspection] archive there is no clear-cut evidence." After seeing the new U.S. draft resolution, French Ambassador to the United Nations Jean-David Levitte said he does not think an agreement is close. Russia and France are permanent members of the UN Security Council, with the right of veto (the other permanent members are the U.S., Britain, and China).

Chinese Foreign Ministry spokesman Liu Jianchao said China "will take seriously" measures for UN weapons inspections which lead to a peaceful settlement to the U.S.-Iraq standoff, but that the first step must be the return of inspectors to Iraq.

White House spokesman Ari Fleischer, speaking to reporters at a political rally in Pennsylvania, said the United Nations does not have "forever" to agree to a resolution, and that the process will soon be concluded. On Oct. 25, when discussions did not please Team Bush, the U.S. formally introduced its resolution, to block any rival resolution by France.

And the *New York Post*, the Anglo-American imperial warmongers, "got ugly," with a lead editorial calling the terrorist

attack in Moscow "cruel poetic justice," and wondering whether France might be "next," and thus perhaps learn not to oppose the U.S. on the Iraq.

## **Foiled Coup Attempt in Qatar Could Jeopardize Iraq War**

In an article called "Qatar Coup Plot May Thwart U.S. War Plans," *Stratfor*, the Austin, Texas-based online intelligence newsletter, reported Oct. 24 that there was an unsuccessful coup attempt in Qatar in early October. The *Stratfor* report, based on information from Qatari diplomats and Russian military intelligence officials, said that on Oct. 12, scores of high-level military officers were rounded up after the coup plot was revealed by a defector. Many of those arrested were Yemeni and Pakistani officers (half of the Qatari military is made up of foreign nationals from throughout the Muslim world). A report on the foiled coup, which ran on Oct. 16 in *Arabicnews.com*, claimed that some of the coup-plotters had links to al-Qaeda, but *Stratfor* said it was unable to confirm this allegation. *Stratfor* reported that officials in the Bush Administration had hoped to keep a lid on the story of the attempted coup. American military personnel in civilian clothes reportedly accompanied the Qatari authorities in some of the arrests.

One immediate fallout of the foiled coup plot, *Stratfor* reported, is that the U.S. has postponed crucial Central Command headquarter maneuvers, which were to have taken place in Qatar in November. Those exercises involved 600 Centcom command center personnel, testing their ability to operate out of the newly built military base, which would be used as a backup command for an Iraqi war, in the likelihood that the Saudis refused to allow the U.S. to use the state-of-the-art center at Prince Sultan Air Base.

The *Stratfor* article summarizes some of the problems facing the U.S.: "If Qatar joins Saudi Arabia in refusing Washington the use of its bases, and Kuwait remains under threat of a pro-al-Qaeda fifth column, then the entire southern front of a U.S. war plan will crumble.... Turkey simply does not have the bases and logistics networks to host 100% of the war effort, and a north-only option is out of the question. Unless and until the Qatari government regains confidence in its security, a U.S. war on Iraq may be delayed indefinitely."

## **Turkish Government Sees Danger in U.S. War Plans**

The Turkish government expressed extreme concern that the U.S. is aiding designs for an independent Kurdish state in northern Iraq, which would trigger a separatist movement among Kurds in Turkey's southeast. Turkish Foreign Minister Sukru Sina Gurel told the Oct. 20 edition of the Turkish newspaper *Milliyet* that "U.S. officials say they do not want an independent Kurdish state in northern Iraq but developments there *show a de facto state has been set up....* This raises suspicions about whether the United States is trying to provoke Ankara by supporting these developments." Sina Gurel added, "Proclamation of an independent Kurdish state ... will meet with Turkish intervention." *Agence France Presse* said this could mean Turkish military action.

Gen. Tommy Franks, the head of U.S. Central Command (CENTCOM), was meeting Turkish military commanders in Ankara on Oct. 21 for talks including on the Iraq war. But those familiar with the "Wolfowitz cabal" in the Administration, say that there is no way that Gen. Franks could, in truth, deny that the U.S. is working on "deals" to divide Iraq, and possibly create a Kurdish state.

A leak from *Associated Press* on Oct. 20 confirms the fears expressed by the Turkish government. *AP* reported that a top Iraqi Kurd military commander backed by the U.S., says that his forces will capture the Iraqi oil fields around Kirkuk and Mosul, in tandem with a U.S. attack on Saddam Hussein. Kurdish Commander Hamid Efendi said that this action is consistent with the draft Kurdish Constitution: "Kirkuk is Kurdish. So are parts of Mosul.... We would want to take these areas if the Americans attack."



This could mean direct combat breaking out between Kurdish and Iraqi forces over control of the oil fields, which Pentagon planners do not want to happen, but a well-placed Middle East source told *EIW* that the Wolfowitz gang "cannot control certain messy elements in reality." That is why the utopian plans are seen as "insane," the source added.

## **From the Murder of Rabin to Sharon's March on Haram-al-Sharif**

On Oct. 19, an extraordinary article in *Ha'aretz* revealed major Shin Beth intelligence failures in preventing the 1995 assassination of Israeli Prime Minister Yitzhak Rabin. Yossi Melman, the senior *Ha'aretz* correspondent for intelligence, writes that a potential for an assassination attempt on Rabin was known four months before his assassination on Nov. 4, 1995. Melman further draws an interesting line from the Shin Bet "failure" that leads to Ariel Sharon's march on the Al Haram-al-Sharif, five years later.

A memorandum drafted on July 10, 1995, written by the head of the operations branch of the Shin Bet's VIP unit, Haggai Tal, stated: "The possibility that a political assassination could be perpetrated in Israel looks far more realistic today than in the past. The potential, somewhere in one of the settlements in Judea and Samaria [the West Bank], in Metropolitan Tel Aviv, or in New York." It went on to say that a further withdrawal from the West Bank and perhaps the withdrawal from all of the territories "will be a catalyst for action." Such a murder could take place if "1) the right wing were to prove unable to mobilize large-scale support for its struggle 'and we will keep seeing the same 1,000 people demonstrating all over the place'; 2) the political process would continue." Tal recommended a "reexamination and reassessment" and tightening up of all VIP security procedures, as well as banning citizens from carrying firearms at events where the Prime Minister would appear.

Shortly after this, Tal went on a two-year study leave and his replacement shelved the report. After the assassination, Tal testified before the Shamgar Commission which investigated the assassination. He told the truth about his report and the fact that it was not followed up. The Commission called for the resignation of the head of the Shin Bet, Carmi Gillon, and the transfer of relevant leaders of the VIP branch. One of those leaders was replaced by Avi Dichter, who is now head of the Shin Bet and who now decides, for the Sharon government, which Palestinians will be assassinated.

Melman points out that almost everyone involved in the Shin Bet failures, including Carmi Gillon got very nice promotions. In September 2000, the same contaminated "VIP branch" of Shin Bet approved the "visit" by Sharon to the Muslim holy site the Haram-al-Sharif/Temple Mount, with several thousand Israeli police, the event which triggered the current Intifada and bloody war. But Melman reveals that the Shin Bet assessed that if a peace agreement had been reached in 2000, there would have been "a Jewish Intifada," involving the radical rightwing Jewish terrorist gangs.

## **Sharon Tries To Blackmail U.S. for \$10 Billion**

Israeli Prime Minister Ariel Sharon wants \$10 billion from the Bush Administration as his price for staying quiet during the war on Iraq, reported *Ha'aretz* on Oct. 20. Since sources in Sharon's government have been leaking threats of nuclear strikes against Iraq, for the last several months, Sharon's demand has the stench of blackmail from a "nuclear terrorist."

This obvious blackmail was being drafted into a proposal by Sharon's bureau chief and private attorney, Dov Weisglas, who will present it to the Bush Administration. The quid pro quo was already indicated by the fact that, during their meeting, he got President Bush to make a statement on how confident he was in the Israeli economy—despite the fact that it is in free fall.

According to *Ha'aretz*, "A government source said the reason for the aid request stems from the United States' expected campaign against Iraq, coupled with the American desire that Israel not interfere with Washington's plans or use IDF



[Israel Defense Force] troops against Iraq."

Israel would request the money in the form of guarantees for loans from private banks, direct state-to-state loans from the U.S. Treasury, and conversion of some American defense aid into shekels. The request for \$10 billion is also symbolic, since George Bush "41" froze \$10 billion in loan guarantees to Israel in order to pressure Prime Minister Yitzhak Shamir to go to the Madrid Middle East Peace Conference. The Likud establishment in Israel has never forgiven certain Bush "41" advisers, like James Baker III and Edward Djerejian, for this pressure on Shamir.

## **Israeli Economy on Life Support**

Israeli Finance Minister Silvan Shalom made a not-so-secret trip to London in an effort to prevent a downgrading of Israel's sovereign credit rating. He will meet with representatives of Standard and Poor's, Moody's, and Fitch. The meeting is in London because these companies refuse to send their executives to Israel, due to the security situation there. According to Israeli-TV reports, Shalom was to try to convince the rating agencies that U.S. loan guarantees might materialize as hinted by Sharon after his meeting with President Bush (see item above).

Despite the fact that Israel does not have a history of defaulting, Israeli Treasury bonds are trading at 12% interest, the level at which junk bonds trade, indicating the severity of the problem.

On Oct. 22, Fitch, the British rating agency, did not downgrade Israel's sovereign debt, but said there are long-term problems. Fitch continued to give an A- for Israel's long-term credit rating for its foreign currency debt. But it has cut Israel's long-term local currency credit rating to A from A+.

A statement by Fitch said, "The downgrade of the long-term local currency rating reflects the sharp rise in the budget deficit and the public debt ratio over the last two years as the economy has moved into recession under the combined impact of the global slowdown, the high-tech slump and the violence associated with the Intifada." Fitch pointed out that Israel's high public debt, at 103% of Gross Domestic Product, and rising budget deficit of 8% of GDP, puts it second only to Japan. They also said the conflict involving Iraq could exacerbate the short-term outlook.

Although Israeli Finance Minister Shalom expressed relief that Israel's sovereign credit rating wasn't downgraded, he said that the cutting of the local currency credit rating was a warning of things to come.

## **Pollard's Wife Claims Moles in White House; Defends Israeli Spying**

Statements by the rightwing Zionist wife of convicted Israeli spy Jonathan Jay Pollard, raised questions that the national security of the U.S. is indeed still threatened by an Israeli spy ring. On Oct. 15, *Arutz Sheva*, an Israeli radio station, reported that in an interview with *IsraelNationalNews.com*, Esther Pollard said the Pollard network has high-level contacts "close to the President," who keep them informed on discussions between Sharon and Bush.

Esther Pollard, who married the convicted spy after he was in prison, and took the Biblical name "Esther" as a political statement after their marriage, was demanding that Prime Minister Ariel Sharon take her along to meet President Bush, but she was turned down by the Prime Minister's office.

She claims she told an assistant to Sharon "that I would like to remind the Prime Minister ... we have some pretty important contacts in Washington, close to the President, and they assure us that the Prime Minister has never raised the issue with the President."

Mrs. Pollard also justified Pollard's spying in her statement, citing the danger of Iraq. "Jonathan was the first to sound the alarm about Saddam Hussein," she said, "and that was 18 years ago!" She claimed, "And that, in fact, is the reason he is sitting in prison." Eighteen years ago would make it 1984—precisely at the time that author Kenneth Timmerman reports that Richard Perle and Steven Bryen were leading the obstructionist effort from the Defense Department, to block exports of computers and machine tools to Iraq.

## Asia News Digest

### Leading Indonesians Demand Proof of Jemaah Islamiah's Existence

Prominent Indonesians are demanding proof of the existence of Jemaah Islamiah, and, if it exists, of its links to terrorism. Following the Indonesian government's filing a request with the U.S. State Department and the United Nations to add Jemaah Islamiah to their respective lists of foreign terrorist organizations lists, an increasing number of Indonesians are asking: Where's the proof? Among those asking are:

\*Chairman of the important Foreign Policy and Defense Committee in Parliament Ibrahim Ambong said the move to get the UN to add JI to the list was "rushed. There is no Jemaah Islamiyah in Indonesia. So why put JI on the list?"

\*Foreign Ministry spokesman Marty Natalegawa told reporters, "I would like to challenge the perception that this is an Indonesian-based organization. Nobody knows where its real base is."

\*Coordinating Minister for Politics and Security Affairs Susilo Bambang Yudhoyono said JI was founded by deceased Abdullah Sungkar, but it did not exist as an organized group in Indonesia.

\*Abu Bakar Ba'asyir's deputy and son-in-law Wahyudin, at the Islamic boarding school Ba'asyir runs in Ngruki, East Java, says JI is just a forum for discourse among Muslims, not a formal organization.

\*Nahdlatul Ulama leader Solahuddin Wahid expressed concern lest the government repeat the bloody crackdown on communists in 1965, in the name of fighting terrorism.

\*Muhammadiyah leader Ahmad Safii Maarif said people would support the listing if the government could provide evidence.

### Australia's PM Rushes To Impose Fascist Laws in Wake of Bali Bombing

Australian Prime Minister John Howard is rushing to impose fascist and colonial laws in the wake of the Bali bombing. New laws were rushed through Parliament Oct. 23 after a personal appeal from Howard to Labor leader Simon Crean, when the government "realized a technical waiting period in July's anti-terror laws meant they would be powerless to detain al-Qaeda suspects until mid-December," according to *The Age* Oct. 24. The UN is expected to pronounce the Jemaah Islamiah (JI) group an outlawed terrorist organization by the end of the week, allowing the Australian government to charge its members and sentence them with penalties including life imprisonment. Defense Minister Robert Hill said "constant movement" from Indonesia into Australia may well include JI supporters or operatives. This means anyone who has supported Ba'asyir or related Islamic groups in Indonesia can be named as a terrorist and arrested.

In the same fascist mold, Howard took steps toward declaring colonial-style extraterritoriality in Indonesia. *The Age* reports that Howard "has taken direct control of counter-terrorism measures, announcing a new law to enable the Bali

bombing culprits and other overseas terrorists to be tried in Australia." A new extra-territorial murder offense would make possible extradition and trials in cases where Australians have been victims of atrocities abroad. The legislation will operate retroactively from Oct. 1.

## **India-U.S. Air Exercises Signal Increased Defense Cooperation**

Joint India-U.S. air exercises began Oct. 21 at Agra, as part of a notable enhancement in defense cooperation between the two countries. *The Hindu* daily newspaper reports seven AN-32 and two IL-76 aircraft of the Indian Air Force (IAF), along with five C-130 planes of the U.S. Air Force, were participating in the exercise.

Sources told *The Hindu* that the week-long exercises had assumed significance, since this is the first time that only the Air Forces of the two nations are involved. In previous exercises, personnel from other service arms had also participated. A total of 150 from the U.S. Air Force and 300 from the IAF were participating in the exercises. The focus of the exercises was inter-operability between the two forces, which in plain English, means preparing the two forces to undertake joint operations if the need should arise in the days to come.

## **Mahathir Hosts Seminar on 'Golden Dinar' Proposal**

Malaysian Prime Minister Dr. Mahathir bin Mohamad hosted a two-day seminar Oct. 23-24, organized by the Institute of Islamic Understanding (IKIM) in Kuala Lumpur, on his proposal for a "golden dinar." The initiative was encouraged by Iran's Central Bank head, Bijan Latif, who also encouraged Dr. Mahathir to set up a secretariat to elaborate his proposal, and to better inform other nations as to how the dinar could be used among central banks, starting among Muslim countries.

Dr. Mahathir said he would brief his Cabinet on the secretariat proposal, and if there were agreement, then Malaysia's central bank, Bank Negara, would be informed. He also said that Iran might join with Malaysia in creating a secretariat.

In the session, IKIM chairman Tan Sri Ahmad Sarji Abdul Hamid outlined some of the proposals and issues that need to be examined before implementation, pointing to an existing prohibition by the International Monetary Fund on the use of gold as a medium of payment; hence, the proposed gold dinar could be a potential violation of the rule. He said there was also a need to study the effects of using a dual-currency-system tool and whether this would impede the growth of the gold dinar.

In his speech, Dr. Mahathir suggested that the dinar be used, initially, in bilateral trade, rather than taking a stab at multilateral trade all at once. He indicated that he believed anarchy in the international financial regime would remain until currencies could be better stabilized. He said that while the dinar would not totally eliminate speculation, gold prices would be more difficult to manipulate, adding that short-selling would be very difficult, if not impossible.

He stressed the dinar was intended exclusively for international trade and was not to be used as currency for daily transactions in the domestic market because it was heavy and cumbersome to carry.

## **Mahathir Tells Saudis a Muslim Nation Must Be Among World Powers**

Prime Minister Mahathir bin Mohamad of Malaysia expressed the need for a Muslim country to be among the world powers, singling out Saudi Arabia as having the potential to play the role, in his speech to a seminar on the Future Vision for the Saudi Economy at the King Faisal Hall Oct. 19. He said the purpose was to protect the interests of Muslims worldwide. "God knows that Muslims are in dire need of a Muslim country which is a world power," he said. "Saudi

Arabia is well positioned to become one if it chooses to do so and is helped by the ummah worldwide.... Our holy places will remain holy places even if Saudi Arabia becomes a great industrial and financial power based on its oil and its many other God-given resources."

Dr. Mahathir was invited by the Saudi government to present his views and outline a future vision of the Saudi economy.

Mahathir said Muslims could not neglect science and mathematics, if they want to avoid being weak and oppressed. He said the Arabs had pioneered in the two disciplines in the past, but, unfortunately, at a certain stage, the Muslims abandoned these studies, and their civilization declined. Today, he said, they are among the least-educated and least-advanced people in the world. "I venture to say that in neglecting these essential subjects, they have actually disregarded the injunctions of Islam to seek knowledge and to be prepared with the necessary strength to protect themselves and their religion," he added. Mahathir added that Muslims should not exclude women from education if they want to maximize their productive potential.

### **Indonesia To Build Nuclear Power Plant by 2015 at the Latest**

The Indonesian government is planning to build a nuclear power plant by the year 2015 at the latest, to meet the country's growing power needs, according to Yusri Henri, head of the Development of Nuclear Power Supervisory Agency. He said that a nuclear power plant would generate cheap electricity, although its development would be expensive, and the risks would be high.

Coming in the midst of the North Korea flap, and the international targetting of Indonesia for "harboring terrorism," it cannot be ruled out that the Indonesians are asserting their sovereignty to send a message that they, too, can develop ways to defend themselves.

The country already has a nuclear power laboratory in Jakarta. In 1997, the country's national atomic energy agency, Batan, recommended that a nuclear power plant be built within two years, but the plan was dropped with the financial assault on the country in 1997-98.

Yusri said research by Batan showed that by 2015, Indonesia was projected to require 35,000 additional megawatts of power to provide industries and homes in Java and Bali with electricity.

### **Santoli, Knights of Malta Run Counterinsurgency in Philippines**

Former Congressional aide Al Santoli and his one-time employer Rep. Dana Rohrabacher (R-Calif.) apparently never stopped fighting the Vietnam War: They have been running operations since then, aimed at subverting the governments of Vietnam, Cambodia, and Laos, while doing what they can to start a war between the Philippines and China over the Spratley Islands. In June, Santoli left Rohrabacher's office and joined the American Foreign Policy Council (AFPC) in Washington, under whose auspices he set up the Asia-Pacific Initiative to "strengthen democracy and deter the spread of transnational terrorism and militant fundamentalism in the Asia-Pacific Region," according to Bill Gertz writing in the *Washington Times* Oct. 23.

Just as Project Democracy began its "private-army" Iran-Contra operations under the guise of "humanitarian aid," this bunch is running a multimillion-dollar humanitarian aid operation in the combat zones of Mindanao, especially the island of Basilan, to "win the hearts and minds" of the poor, and convince them not to join the Abu Sayyaf insurgents. Doctors are provided by Knightsbridge International, set up by "the U.S. Priory of the Knights of Malta," a feudal-era secret society, which has emerged from the crypt to join the new Crusade.

Gertz reports that these private-sector programs "bolstered non-combatant U.S. operations against terrorists in the Philippines because money from Washington for the training mission had run out in July."

Santoli, who also edits the *China Monitor* for the AFPC, said that the Philippines operation will be expanded into Indonesia, southern Thailand, and India, the "front-line areas in the war on terrorism."

### **Bush War Contributing to Philippines Budget Deficit**

The Philippines budget deficit hit 166.47 billion pesos (U.S.\$3.14 billion) in September, exceeding the old official projection by 57%, the Department of Finance said Oct. 23. Much of the deficit is to be blamed on vastly increased military and counterinsurgency spending demanded by the Bush Administration since 9/11; moreover, the U.S. just backed out of a promise of \$30 million in aid to the Philippines due to the U.S. recession. Before revenue collections started falling, and before the government cut expenditures to zero growth over 2001 levels, the January-September budget deficit was projected at 106.33 billion pesos. That fell by the wayside in July, when the new 2002 target rose to 130 billion pesos, and in September, it was reset at 155 billion pesos. New data point to a budget deficit of 4.5% of GDP, or about 180 billion pesos.

Revenues from January to September were 48% below the old official projection, while expenditures were 577.36 billion pesos, 2% below their target. The National Treasurer says he can cover a 190-billion-peso deficit.

Guillermo Luz, executive director of the powerful Makati Business Club, warned: "The numbers are no longer tolerable and, based on trends, the government is headed for a budget deficit of 200 billion or even 220 billion pesos."

### **MMA Emerges as 'Third Force' Following Pakistan Elections**

The electoral emergence in Pakistan of the Muttahida Majlis-e-Amal (MMA), a grouping of six Islamic parties, as the "third force" in the just-concluded general elections, seems to have had its first effect. The International Security Assistance Force (ISAF), operating in Afghanistan, has decided to close down its base in Karachi.

Pakistani President Pervez Musharraf's decision to "lease out" a portion of Karachi's Qaid-e-Azam International Airport came under severe criticism from the MMA during the campaign. MMA is also opposed to the presence of U.S. forces on Pakistani soil, and wants them to vacate their military bases in Pakistan.

The Pakistani English-language daily *The News* said the ISAF had selected Karachi, with its several airports, as the hub for the Forward Mounting Base (FMB), in the middle of January 2002, to transport international troops and support logistics, including heavy arms and ammunition, inside Afghanistan.

Prior to the ISAF takeover of the part of Karachi Airport, a German delegation had met with Pakistan's Civil Aviation Authority (CAA) for the same purpose. But when the CAA declined to consider any partner of the ISAF individually, the Germans quietly left Karachi, and now operate from Tajikistan.

## **AFRICA NEWS DIGEST**

### **'Sudan Peace Act' Follows Imperial Model**



The U.S. Congressional legislation, the "Sudan Peace Act," signed into law by President George W. Bush on Oct. 21, could in fact be a prescription for perpetual war. As *EIW* has reported, U.S. and British covert support for Sudanese rebel forces against the government Khartoum, has kept the war simmering for years. (See the INDEPTH section of *EIW*'s Sept. 16, 2002 analysis of the imperial resources grab in Sudan.)

The legislation specifies that the President of the United States must certify every six months that the government of Sudan and the United States' own puppet, the Sudanese People's Liberation Army (SPLA), are negotiating a permanent peace agreement in good faith, or, once that is achieved, are complying with the agreement. These conditions mean that the U.S. can "pull the plug" on Sudan's economic and political stability at any time.

If the Sudan government is found to be "not acting in good faith," the U.S. will oppose loans, credits, and guarantees to the government of Sudan by international financial institutions and take "all necessary and appropriate measures" to deny the government access to oil revenues. (If the SPLA is found not to be acting in good faith, these sanctions do not apply to the government.) In light of the wanton U.S. bombing of the al-Shifra pharmaceuticals plant in 1998, "all necessary and appropriate measures" could go very far.

Ominously, the Act authorizes the appropriation of \$100 million in each of the fiscal years 2003, 2004, and 2005 for assistance "to areas outside government control, to prepare the population for peace and democratic governance, including support for civil administration, communications infrastructure, education, health, and agriculture."

The U.S. Secretary of State is required to collect information about incidents which may constitute crimes against humanity, genocide, and war crimes by all parties to the conflict, giving the U.S. powerful leverage.

The Act declares that its intent is "to facilitate a comprehensive solution to the war in Sudan, based on the Declaration of Principles of July 20, 1994 and the Machakos Protocol of July 2002," according to a U.S. government Fact Sheet, and commends the efforts of Presidential mediator former Senator John Danforth and his team. A statement of intent is not binding language for the purposes of an Act. Nevertheless, it puts a card of sorts in the hands of the government of Sudan in negotiating with the SPLA.

### **First Truce Signed by Sudan Government and SPLA**

The first-ever truce was signed Oct. 15 by the government of Sudan and the SPLA in Machakos, Kenya, as talks resumed after recent fighting, but the outlook remains poor. Negotiations for a permanent peace resumed Oct. 16. Sudanese government forces had retaken the town of Torit during the week ending Oct. 12, which led the SPLA rebels to agree to the government demand for truce as a condition for resuming talks on an overall settlement.

The government of Sudan had also demanded— as a condition for returning to negotiations— that the SPLA not raise issues already settled in the July 2002 talks, such as the six-year wait before a referendum in the South. But, Anglo-American pressure forced the government to return to negotiations without this condition. In September— after seizing Torit while also negotiating in Machakos— the SPLA suddenly sought to renegotiate just such issues, already resolved in line with the Danforth recommendations in the Machakos Protocol signed in July.

### **Mercenaries in Ivory Coast War**

There are now apparently mercenaries involved on both sides of the war in Ivory Coast, according to statements by Ivorian officials. Angolan troops and equipment were arriving to support the Ivorian government in the week ending Oct. 18. But, according to President Gbagbo in his interview with the French newspaper *Le Figaro* and *allAfrica.com* of Oct. 17, these



are supplied by private companies based in Angola, not the Angolan government. Note that U.S. Assistant Secretary of State for Africa Walter Kansteiner was in countries near Angola in the days before the private forces departed for Ivory Coast.

As long ago as Sept. 30, *Reuters* reported that the Ivorian Ambassador to the UN, Djessan Philippe Djangone-Bi, speaking at UN headquarters in New York, indicated that his government had been able "to determine that at least some of the mercenaries fighting alongside the rebels come from West African neighbors Burkina Faso and Liberia, as well as from nearby Sierra Leone, but it has so far been unable to determine where the rebels got their weapons or their money."

## Imperial Oil Politics in West Africa

In the Gulf of Guinea, boundaries will be redrawn and Exclusive Economic Zones (EEZs) will be defined in the ocean where none were defined before, as U.S. planning for oil exploitation develops there, according to recent issues of the *Africa Energy Intelligence* daily newsletter. U.S. Assistant Secretary of State Walter Kansteiner spent the first two weeks of October visiting Sao Tomé and Príncipe, Gabon, and Ivory Coast. Kansteiner has been active with U.S.- and Israeli-based think tanks that want to break up OPEC, and are therefore eyeing African oil as a new looting source.

The following are thumbnail situation reports:

*Sao Tomé and Príncipe:* Coincident with Kansteiner's visit to Sao Tomé and Príncipe, President Fradique de Menezes dismissed Prime Minister Guilherme Posser da Costa and the rest of the seven-month-old government and appointed Minister of Trade Maria das Neves as Prime Minister Oct. 3. She is an economist who worked for the World Bank and UNICEF before her appointment to the trade post. *BBC* reported Oct. 14 that das Neves "supports continuing austere budget measures 'even if it causes pain and is unpopular,' to adhere to the World Bank's debt forgiveness program.... She said cutting foreign debt would be her government's 'priority of priorities' in 2003...."

*BBC* added, "Plans to build a 'sheltering port' for the U.S. Navy, to patrol the Gulf of Guinea and its oil resources, and become a trading post for the region also form key legs of her economic policy. 'A deep-water port will be part of our medium-term strategy to turn Sao Tomé into a platform of highly qualified services, for a region which represents a market of 500 million people,' she said.... Kansteiner told Sao Tomé's leaders that U.S. companies were interested in searching for oil off the coast." Sao Tomé and Príncipe consist of two small islands off the coast of Gabon.

*Gabon:* Kansteiner "said his five-day stay in Gabon focussed on ways the United States can support that government's plans to set aside wide areas of the Congo River basin for parks and nature reserves," according to *Voice of America News* Oct. 15.

*Angola:* It is not known what contact Kansteiner had with Angolan leaders during his visit to the Gulf, but he had a good deal to say about Angola in testimony before the Senate Subcommittee on African Affairs Oct. 16. "Angola will become more 'prominent' in international affairs over the next two years in its role as an African regional representative on the UN Security Council," he said, according to *allAfrica.com*. Angola also became president of the Southern Africa Development Community at its September summit. Kansteiner also said the U.S. will be actively engaged in efforts to secure the peace in Angola, and "will also train 'civil society actors' and political parties there, 'including Unita, to transform it from an armed rebel movement to a constructive opposition party.' " according to *allAfrica's* report.

*allAfrica* also reports that Kansteiner revealed that "the U.S. European Command [EUCOM] plans to invite the Angolan armed forces chief, Gen. Cruz Neto, and an Angola delegation to EUCOM headquarters for briefings." Kansteiner reportedly said, "The goal is to build a rapport to allow U.S. Defense Department officials and military personnel access and influence with Angolan civilian and military officials to help them to develop an apolitical and transparent institution."

## UN Report Names British, Israeli Diamond Firms as Criminal Cartels

A United Nations expert panel report on the Democratic Republic of Congo, released on Oct. 21, reports on criminal activities of diamond-related businesses, says *Business Day* of Johannesburg.

Army chiefs from Uganda and Rwanda are mentioned as well as the speaker of Zimbabwe's Parliament, Emmerson Mnangagwa. East London (South Africa) Israeli businessman Niko Shefer, whose SA Tandan Holdings diamond company is cited in the UN report, this week claimed he has retired from business. (Shefer, a former commodities broker, is now on parole, having been sentenced to 14 years in jail after the South Africans applied for his extradition from Switzerland.)

Two British-South African companies, the Anglo American conglomerate and De Beers diamond company— which of course have denied any involvement in unethical activity in the DRC— were among dozens of multinationals listed in South Africa, Europe, and the U.S. "that violated ethical guidelines in conflict zones stipulated by the OECD," according to the report. Anglo American issued a statement claiming it has no operations in the DRC and hasn't "for several years."

The report recommends that the firms and individuals named be given four to five months to halt the illegal activities, after which time, sanctions, including freezing of assets, barring them from access to banking facilities, and travel bans, would be imposed. There are 29 companies based in Belgium, Rwanda, Uganda, DRC, Zimbabwe and South Africa listed in the report.

Alex Yearsley, of the international lobby group Global Witness, notes that the report, among other things, "shows how the majority of independent diamond dealers— from Belgium to Israel to New York— are still operating outside of the law...." Yearsley then defended Anglo American and De Beers.

## Malawi's Food Shortages Worsening

Johannesburg's *Business Day* provides an update on the famine in Malawi, one of the countries worst hit, in the second of three articles on the regional food crisis. It reports, "Food shortages in Malawi are very severe and will only worsen in the months ahead as scarce stocks from the harvest run out and food aid, reaching 2 million out of 10.6 million people [total population], becomes more difficult to distribute" because of the rainy season.

According to the UN World Food Program's Malawi director Gerald van Dijk: "By December, we need to feed 3.2 million people, which requires about 30,000 tons of maize a month. It will be a struggle to mill and move that amount during the rainy season."

The bulk of donations are genetically modified (GM) maize from the United States, which may "only be distributed if it is milled [to prevent it from being planted]. This process will delay food distribution as Malawi lacks enough spare capacity to mill large amounts of WFP relief maize. Milling also adds more than 20% to the cost of relief operations, which are about 36% funded at present." Until the rains begin, Malawi, unlike Zambia, is allowing the distribution of whole-grain maize, believing people are too hungry to plant any of it.

At the same time, 19% of the country's population is infected with HIV/AIDS, says the report, which adds that malaria is rampant and a cholera outbreak took 1,000 lives this year.

Last year, reports *Business Daily*, people exhausted their assets to get food, selling bicycles or goats at a quarter of their

value. This year, when food shortages peaked ahead of the harvest, thieves were mutilated and beaten to death.

# InDepth Section

Links to articles from *Executive Intelligence Review*.\*.

\*Requires Adobe Reader®.

## Feature:

### The Historical Individual

by Lyndon H. LaRouche, Jr.

In a time of crisis, like today's, the typically failed political leader is like the narcissistic actor who poses for his audience, from on stage, or on camera, while gloating, sotto voce, 'Look at me!' He is more or less indifferent to the reality of the circumstances under which he postures; the objective of his performance, is, like that of a prostitute prowling the tawdry street, merely seduction.

## Economics:

### Maastricht Stability Pact Is Dead, Awaits Official Burial

When French President Jacques Chirac and German Chancellor Gerhard Schroöder met in Paris Oct. 14 and announced there should be a 'more flexible interpretation,' a 'more growth-oriented interpretation of the stability criteria' of the European Union's Maastricht Treaty system, it was clear that some profound changes were up in the EU's 'Stability Pact.'

### Europe's High Finance 'Faces Stiff Headwind'

The worst meltdown of global financial asset prices since the 1930s, record numbers of corporate and sovereign defaults, and an implosion of investment banking undertakings—like initial public offerings (IPOs) and mergers—are devastating the world's largest financial institutions, and not least in Europe.

### FIAT Faces Bankruptcy, Amid World Auto Crisis

Italian automaker FIAT is threatened with bankruptcy as a consequence of accumulated debt, a sales crisis and plunging market capitalization. FIAT's debt at the end of 2001 was 238% of its assets (in 1993 it was 'only' 140%).

### Firefighters' National Strike Looms in Britain

It is perhaps one of these endless human paradoxes that the impending firefighters' strike in the United Kingdom had its origins in the tragic events in the New York and Washington Sept. 11 last year.

### Mergers, Derivatives Losses Reveal Bankruptcy of the U.S. Banking System

If one were to believe the profit statements reported by the U.S. banks, as dutifully aggregated by the Federal Deposit Insurance Corp. (FDIC), one might conclude that the banks were in reasonably good shape, despite certain ominous clouds on the horizon.

### India's Divestment Debate Needs Focus

After months of simmering discontent, the battle in India over divestment (privatization) of public sector units (PSUs) has been joined. After meeting with some of the strongest critics of the divestment policy within his government, Prime Minister Atal Behari Vajpayee stated on Oct. 2 that divestment of the public sector units would continue.

## International:

## N. Korea Offers a 'Silk Road' Bargain to the United States

The 'North Korean Nukes' story began, curiously, with a late-night 'emergency briefing' Oct. 16, at 10 p.m., by White House spokesman Sean McCormack and Richard Boucher of the State Department—breathlessly announcing news which was 12 days old. U.S. envoy James Kelly had reportedly confronted North Korea on Oct. 4 in Pyongyang, with 'new intelligence,' and forced Pyongyang to admit to a secret nuclear weapons program.

## Israel's Greek Tragedy

It was a scene comparable to the Greek tragedy, The Persians, by the great Aeschylus. Dalia Rabin, daughter of slain Prime Minister Yitzhak Rabin, stood before her father's grave. Though a daughter, she was cast in the role of the Queen Mother Atossa before the tomb of the great and wise Darius. Before her stood the solemn faces of Israel's political elite—less one—like Aeschylus' Chorus of Elders, but not as wise.

## Venezuela: It's The Economy, 'Chico'

In an Oct. 20 interview with Miguel Angel De Renzis on Radio El Mundo in Buenos Aires, Argentina, U.S. Presidential pre-candidate Lyndon LaRouche gave the following answer to a question regarding the Oct. 27 Presidential run-off elections in Brazil, and the significance of a probable victory by Luiz Ina'cio 'Lula' da Silva. 'Well, it doesn't mean much, this Lula business, in a sense. This is already pre-discounted. That is, it would not be a change in the system, for him to be elected or not elected, really.

## New Rebellion Builds

The chronically unstable political situation in Venezuela boiled over on Oct. 22, when a group of 14 active-duty generals and admirals from all four military forces announced that they were rebelling against the Hugo Cha'vez government, under the constitutional right to civil disobedience against any government which violates the Constitution.

## From Ancient Egypt, To a New Renaissance

All too often, the news broadcast about the Arab world is negative, if not tragic—the plight of the Palestinian people being emblematic. Thus, when events of a happier nature take place, which establish a higher moral standpoint from which to approach a solution, they should be heralded with joy.

Such is the case with the inauguration of the historic Alexandria Library (called the Biblioteca Alexandrina), in the Egyptian city of that name, on Oct. 16. **(See Mubarak's speech on page 38 of the article.)**

## **National:**

## LaRouche: Moonies Are Target Too Big To Be Missed

During an Oct. 19 webcast with Democratic candidates, Lyndon LaRouche responded to a question about how to force a purge of the lunatic neo-conservative and Christian Zionist apparatus from the Bush Administration, and, thus, stop the pending U.S. imperial military mis-adventure against Iraq.

## New McCarthyites Target Ritter's 'Waging Peace'

Retired U.S. Marine and former United Nations weapons inspector in Iraq, Scott Ritter, has become a target of those New McCarthyites out to form a nationwide 'thought police' to stifle any criticism of the Utopians' Iraq war in the press, universities, military, or government.

## **OPINION:**

## Only Congress Has the Authority To Declare War

**by Congresswoman Sheila Jackson Lee — Member, House Judiciary Committee — 18th Congressional District, Texas**

This week the United States Congress was asked to make a decision about life, and about death. What will be at stake will be the potential deaths of many Americans in our U.S. military as well as innocent persons in Iraq and the surrounding region.

## **'Fiscal Fascists' Guide State Budget Slashing**

**There's a \$50 billion hole, as of mid-October, in American state budgets, and it will get bigger. Facing disappearing revenues, governors and state legislators are turning to sharp austerity measures to meet the 'all-powerful Bottom Line,' rather than demanding the nation solve the pervasive revenue collapse with an economic recovery, FDR- or LaRouche-style.**

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