

## Electronic Intelligence Weekly

### Online Almanac

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## THIS WEEK YOU NEED TO KNOW

### The Lautenbach Plan and Its Consequences

*What follows is the translation of a speech given by Helga Zepp LaRouche, chairman of the Solidarity Civil Rights Movement (Buergerrechtsbewegung Solidaritaet), to EIR's Dec. 18 seminar in Berlin. Zepp LaRouche delivered the speech on the eve of a yearend trip to China by German Chancellor Gerhard Schroeder, to participate in the inaugural voyage of the German-built TransRapid magnetic levitation train, connecting Shanghai to its international airport.*

Both Helga Zepp LaRouche and her husband, U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche, have underscored the importance of the Schroeder China trip, as an opportunity to expand the German-Chinese maglev cooperation. There are hopes that during the Chancellor's visit, an agreement will be reached to build a 2,000-kilometer maglev train, linking Shanghai to Beijing. The LaRouches hailed this opportunity to reverse the otherwise hopeless economic collapse of Germany and the rest of continental Europe, through great projects like the Shanghai-Beijing TransRapid. Lyndon LaRouche likened it to President Franklin Roosevelt's Tennessee Valley Authority, which provided a springboard for reversing the Depression in the United States.

If he is smart, and pursues policies long associated with Helga Zepp LaRouche (who is known internationally as the "Silk Road Lady") Chancellor Schroeder can use his China visit to set in motion a radical policy shift, which poses the only hope for Germany and the rest of Europe to avoid a deeper plunge into a Dark Age. In her Berlin speech, Zepp LaRouche spelled out, in detail, the policy cross-road that Germany is fast approaching.

Yes, I would like to speak today on the subject of the economic debate which occurred during the early 1930s—which is normally a taboo subject nowadays. What I hope will become clear from what I shall say: One of the most astounding phenomena is the fact that today, virtually not a word is spoken about the discussions which went on during the early 1930s, and the fact that hardly anyone today knows anything about those discussions.

Today, the system of globalization, of the free-market economy, is hopelessly bankrupt. And anyone who has not yet recognized that fact, I would ask them to please read a speech by one of the U.S. Federal Reserve governors, a man by the name of Ben S. Bernanke, who a few weeks ago delivered an astounding speech which, at the moment, is the hottest topic among all the top insiders in London, Wall Street, and Zurich, because he committed the absolutely monstrous violation of a taboo, by saying that today, with all our modern tools for increasing the money supply, it is much simpler to create liquidity in so many ways, than it was during the times when one needed an old-fashioned printing press in order to print the stuff; and that this is basically possible today through all sorts of electronic means. And by doing so, he basically blurted out the marketeers' best-kept secret up to now, namely, that if the system is reaching the end of its rope, and a domino effect is becoming a real threat, with large banks going bankrupt, mega-corporations going bankrupt, bubbles popping, and then the so-called aggregate risk, i.e., if one market sector goes bankrupt, then, because of the interconnectedness of all market segments, the entire global system blows up—that then, the last remaining resort, is to print money—just as the Reichsbank did in 1923, only today with the difference that back then, as you know, it was confined to Germany, whereas today, because of globalization, the effect is worldwide. And as we ought to recall from past history, hyperinflation—because this Mr. Bernanke was talking about nothing else but that—is what robs the man in the

street, the little people, of their last scrap of savings. Hyperinflation gobbles it all up.

And that's precisely where we're at right now. Latin America was already mentioned: Argentina has halted its payments on its foreign debt, and has said, "We're not going to pay any more." Now, that was only \$800 million, but the important aspect of it, was its effect as a signal that the country is facing the utter disintegration of its territory, and so they have said, "That's it! No more!"

The situation in Brazil is dramatic. On Jan. 1, the new President "Lula" da Silva will be sworn into office. There is rampant hysteria over what Brazil is going to do with its \$500-billion foreign debt. My husband was right, when he said that no other country is a better demonstration of how hopelessly, unsalvageably bankrupt this system is. Because Brazil has two options: either it capitulates, and makes an attempt to fulfill the IMF conditionalities, in which case it will, in short order, go the way of Argentina, i.e., the country will collapse; or, it will say "No!"—and in that case the IMF is equally finished, because the sheer amount of [Brazil's] indebtedness, \$500 billion, is enough to bring some mega-banks in the United States, but also in Spain and elsewhere, to their knees.

But in Japan it's even worse: bank crisis, depression everywhere you look.

The actual epicenter of the crisis shifted to the United States some time ago. America's infrastructure is disintegrating, and it is facing the prospect of no longer having a railway or airway system, because if United Airlines, which declared bankruptcy last Monday, goes the same way as Pan Am, Braniff, and other airlines, then it's well on its way to being liquidated, and—well, I guess you'll still be able to get around the country in a Greyhound bus, or on foot, but that might not be particularly efficient!

The collapse of the dollar was already mentioned. We are currently basically in the final *weeks*—my husband has said, very courageously (as he normally is, anyway) that the world financial system is so far gone in its collapse, that we're talking about a matter of weeks, about January, about only a few months. And this is, without a doubt, what is shaping the main dynamics of the economic crisis here in Germany—even though, of course, there do also exist some home-made problems as well, which have to do with the general cultural paradigm-shift over the past 35 years.

You will recall that about one month after the election, the re-election of the Schroeder government, comparisons with the Bruening government were being made, on the one side, by Mr. [Oskar] Lafontaine [of the Social Democratic Party], who said that [German Finance Minister Hans] Eichel's austerity policy is the same as what Bruening did—and Heinrich Bruening is the person who paved the way for Hitler, [is the person] whose austerity policy brought on the collapse of the Weimar Republic.

But Bruening has also been brought up by the right-wing-populist Prof. Arnulf Baring, who even went so far as to call for the trashing of Germany's Constitution, demanding that the Basic Law be revised, because unfortunately it does not contain an Article 48—i.e., the clause which made it possible for Bruening to issue his Emergency Decrees. And Baring also called for people to take to the streets, and to man the barricades in order to topple the current government. So, he's been quite the radical.

Back then—I would like to examine this historical period a bit more closely. All this might perhaps be well-known to some of you, but I shall say some things that are perhaps not so well-known to you—. Back then, during the era of CHECK Mueller, of the Mueller government, and through Bruening, to Franz von Papen, to Kurt von Schleicher, the failure of democracy was quite evident to all, because no party in the Reichstag had a concept of how to deal with the collapse of the liberal system. And part and parcel of this liberal system, was, of course, the war reparations payments which Germany had to pay. At the point when the grand coalition under Mueller collapsed, this led to a series of presidential regimes, each of which failed in turn. And von Schleicher, who *theoretically* could have averted the catastrophe, came into power much too

late, in December 1932, at a point when the Anglo-Americans' pressure on Hjalmar Schacht to bring Hitler to power, was much too great, and the situation was just too far gone to change course.

We're in a similar situation today: None of the parties has any idea what to do. The systemic collapse today is far worse than the Great Depression of the 1930s, but there are certain parallels: We've taken the charts of stock prices from 1918 to 1940, and have superimposed these onto those from 1980 to the present, and in fact the curves match perfectly.

But the systemic crisis today is far, far worse. Two continents have already collapsed *de facto*—Africa, and we are already witnessing the traumatic disintegration of Latin America. Back then, America was the biggest lender; today, on the other hand, America is the biggest *debtor* in the financial market history.

The danger, therefore, is that chaos, or even a revamped version of Article 48, or perhaps a dictatorship, is looming on the horizon.

I would therefore like to set this forth at the outset: Our position is to seek to defend this Schroeder government—not because Schroeder's economic policies are any great shakes, but because in the present constellation of forces, Germany, and even Schroeder himself, with all his problems, has become the fulcrum of opposition to a new Bruening policy. And therefore we must see to it, that we change Schroeder's policies, and not replace him altogether.

Because what's at stake here, is quite clear: Schroeder himself is still undecided. He can decide this way, or that way: He can, like Thomas Schmidt (whose past is extremely interesting, by the way, in the 1960s and 1970s), who writes today in the *Frankfurter Allgemeine Zeitung*, that if Schroeder, with cool calculation, sets into motion the systematic undermining of the social state, then he couldn't be touched by his competition, and so he should show leadership in dismantling the social state—so proposes Thomas.

Because you must consider the fact that none other than an individual by the name of Peregrine Worsthorne—who, interestingly, is the stepson of Montagu Norman, the man who financed Hitler and brought him to power, the former head of the Bank of England—wrote already back on April 2, 1996, in the *Sunday Telegraph*: "I'm not saying that we must move directly from the social state into a police state," but "*welfarism* is an idea whose time has passed.... For many of 'our people,' life in the late 20th and in the 21st Century will be repulsive, brutal, and short as well." And this, of course, is a reference to the life-shortening health-care reforms which enter the picture whenever the social-welfare state starts being dismantled.

A very interesting article was written on Nov. 24 of this year by a certain Prof. Herbert Giersch in *Welt am Sonntag*. Professor Giersch was formerly one of the "Five Wise Men," headed up the World Economic Institute in Kiel, and is a neo-liberal of the Mont Pelerin Society stripe; but nevertheless, he writes the following in his article on the current economic situation:

"Seventy years ago, when the worldwide economic crisis erupted, a group of noted economists of various persuasions, including Wagemann, Woytinsky, Baade, Lautenbach, Lombard, Loewe, and Lederer sought to build enthusiasm among the political class and in public opinion, for its policy of active government expenditures. Quite probably it could have cost the National Socialist their victory in the summer of 1932."

I don't know whether it's clear to you, what a tremendous bombshell that statement is. It means that for the first time, a so-called regular professor—albeit a retired one, but still a quite regular one—has stated something which before then has only been stated in that precise form by Mr. LaRouche, by myself, and by the BueSo generally, namely, that if Germany's economic policy had been changed in time, Hitler's rise to power could have been prevented.

One would assume that this is a theme which would be of great interest in Germany—so one would assume. Because at the time, there existed a broad coalition of social forces—the so-called reformers, whose members during the early 1930s included the General German Trade Union Alliance (Allgemeine Deutsche Gewerkschaftsbund, ADGB), and also a group of economists around such people as Wilhelm Lautenbach—who at the time was a high official in the Economics Ministry—but also industrial bankers—all of whom were proposing varying concepts of how unemployment could be eliminated through the generation of productive credit.

And let us recall that at precisely the same time, namely around 1933, Franklin D. Roosevelt in America was implementing his New Deal policy, which included productive credit generation, and led America out of the Depression. One can truly say today, that if the same policy had won the day in Germany—that is, the policy which Woytinsky and Lautenbach were urging—Hitler would not have seized power, and World War II probably wouldn't have had to occur.

And this makes it all the more astounding, that this economic debate, which raged from 1930 to 1932, is almost completely swept under the rug in Germany today. Instead we get the widespread myth that it was the Nazis, and Hjalmar Schacht and Hitler, whose job-creation programs succeeded in eliminating unemployment. Nothing can be further from the truth—as I shall now elaborate.

On June 28, 1928, Mueller formed his grand coalition. The stock market crashed in 1929, and in 1930 a crisis erupted within the coalition over how to finance unemployment insurance, leading to Mueller's resignation. In March 1930, there were 537,000 more unemployed than there had been in March 1929. Then, on March 30, President Paul von Hindenburg assigned Bruening the task of forming a new coalition government. After Bruening entered office, the annual increase in unemployment climbed to 1,432,000 in April, and then, after the first Emergency Decrees, to 2 million. After Bruening implemented further deflationary measures in December 1930, unemployment in March 1931 was 2.8 million higher than it had been in March 1929. On Dec. 8, 1931 there was yet another Emergency Decree, which included wage cuts by up to 10%, drastic price cuts, and a 6% ceiling on interest rates. And the number of unemployed kept on rising, to 6 million in March 1932.

On the heels of this came the election victory of the NSDAP [National Socialist German Workers Party, or Nazis], which on July 31 won 37.4% of the popular vote, entitling them to 230 seats in the Reichstag, making them the country's strongest political force.

During this period of high drama, stretching from 1930 up through early 1933, there were various forces which presented ideas on how to revive the economy. The most important role was that played, on the one side, by the General German Trade Union Alliance, which had approximately 5 million members, making it the biggest single organization in Germany: 80% of all organized workers belonged to it. And the leading intellect behind these proposals was Wladimir Woytinsky, who was chief of the ADGB's Statistical Department, and who had emigrated to Germany from St. Petersburg in 1922, and who had been leading the Statistical Department since 1929.

In the spring of 1931, Woytinsky proposed an international program to end the economic crisis. To begin with, he asserted the idea that Bruening's deflation policy was only making the crisis worse. He wrote a number of articles about this, and in 1931 he published a book, in which he pointed out the qualitatively new character of the worldwide economic crisis, whereby the so-called automatic capitalist mechanisms no longer functioned, but whereby only anti-deflation measures could be agreed upon by consenting nations, thereby making it possible to increase purchasing power. And this additional purchasing power would have to be applied productively, i.e., put toward the creation of new jobs in public projects.

Woytinsky harshly attacked the mania for cutting wages and social services (today we could call it the "Eichel-cutting mania"), and on March 9, 1931 there was an executive board meeting of the ADGB, at which Fritz Tarnow, chairman of the Woodworkers Union and ADGB plenipotentiary for job-creation programs, along with Wilhelm Eggert, called for an

international program to end the world economic crisis.

Woytinsky published his first major articles in June 1931, in the theoretical journal *Die Arbeit*, where he pleaded with the ADGB to adopt an active economic policy. He wrote:

"Labor organizations that rely on the self-healing forces of the capitalist economic order, run the risk of slowly bleeding to death. For some years now, Germany's working people have been waging a difficult, defensive struggle, and the worse the crisis becomes, the more unfavorable the conditions will become under which that fight is waged. Our labor organizations have lost their freedom to maneuver; no longer can they choose either the time or the objective of their conflict with the adversary. They are forced, each time, to fight whenever and wherever it best suits the other side....

"Targetted, far-reaching measures to revive the economy have never been more necessary than they are right now. The labor movement needs an *economic-policy action program*, which can show workers and other layers of the population, that the Social Democracy and the trade unions see a way out of the economic abyss. But at present, we have no economic-policy action program; all that we have, is a list of social demands, which we try our best to get adopted. We have definite positions on assorted individual economic policy questions. But a *program*, this we don't have!"

He then demands that the ADGB take a proactive stance on economic policy—i.e., instead of a passive "meteorological" attitude of mere observation, an active attitude such as in the practice of medicine, whose task is to heal the sick, to reduce suffering, and to halt the spread of disease; and economic research ought to be guided by similar objectives. There must be "factors brought into play, which will spur every entrepreneur to expand their field of economic activity. In accordance with this, we must explore opportunities to complement inadequate economic initiatives taken by private firms, with public job creation." Agreements must be made among nations for increasing purchasing power. What is required, is a creative offensive, and not merely defensive skirmishes.

To counter the argument that such an active intervention would be inflationary, Woytinsky wrote:

"But, on similar grounds, in the treatment of a serious, life-threatening illness, one would rule out the administration of a medicine, solely because it is a *poison*. The physician, however, does not hesitate to use various poisons as medicines.... If the physician had to renounce all use of poisonous substances as medicines, he would be condemned to the same impotence as that of an economic policy which, out of fear of inflation, rejects all anti-deflationary measures out of hand."

And thus the only remaining option is an active conjunctural policy which takes on the worldwide economic crisis. And therefore, a worldwide economic policy is required.

He writes: "All nations are suffering because the world economy is sick. Therefore they must all concentrate their powers upon taken joint action to overcome the world crisis." Today, we would call this the Eurasian Land-Bridge.

In Point 3 of this action program, he writes:

"No country is ... harder hit by the worldwide crisis, than Germany is; and within Germany, working people are the class that suffers most from the economic depression. In keeping with this, it is Germany which must take the initiative in forceful international policy to combat the world crisis, and the German working class (trade unions and Social Democracy) must claim and assume the role of conveyor of the idea of an activist world economic policy."

In Point 6 he writes:

"The funds freed up by international money-creation policies, must be applied toward job creation, and for the realization of a grand plan for European reconstruction."

That's the 1930s version of what we proposed for Europe in 1989 with the Productive Triangle, and of what the Eurasian Land-Bridge represents for Europe today.

On Dec. 31, 1931, Woytinsky, Fritz Tarnow, chairman of the Woodworkers Union, and Fritz Baade, the agricultural policy spokesman of the Social Democratic Party (SPD) faction in the Reichstag, published their "Theses on Combatting the Economic Crisis," and presented them to the ADGB's executive committee. It contained the proposal to create new jobs for 1 million unemployed, and to that end, a sum of 2 billion reichsmarks was to be made available in the form of a cash loan from the Reichsbank.

On Jan. 26, 1932, the so-called job-creation program, dubbed the "WTB Plan"—for Woytinsky, Tarnow, and Baade—was presented, which included the idea of issuing long-term credits with low rates of interest and amortization; such credits would then be cashed in by Reichskredit AG, and they would be discountable at the Reichsbank.

The ADGB voted to adopt the WTB Plan, but the SPD under Otto Wels, along with the SPD's so-called economic experts Hilferding, Naphtali, and Bauer, were opposed to it. As Woytinsky wrote later on in his autobiography:

"It seems to me that I saw—physically, with my eyes—how Bruening was leading Germany to a tragic end.... Bruening, however, must not be blamed altogether harshly for his errors. He shared his false ideas with many of his advisers in his own and the Social Democratic Party. Had the latter not supported his policy, he might have abandoned it."

That's what was going on on the trade-union side. In parallel to that, on Sept. 16-17, a secret conference was held by the Friedrich List Society, with Dr. Wilhelm Lautenbach, Reichsbank President Hans Luther, SPD economist Rudolf Hilferding, and others in attendance. And there Lautenbach presented his extremely important—I can really only recommend that each and every one of you thoroughly read this memorandum, titled "Possibilities for Reviving Economic Activity, by Means of Investment and Expansion of Credit." Lautenbach wrote there: "The natural course for overcoming economic and financial emergency," is "not to limit economic activity, but to increase it, because the market, in the current conditions of simultaneous depression and world monetary crisis, no longer intervenes."

Normal market mechanisms are no longer adequate; they do not provide any positive direction. He writes:

"For, at this very moment, we have the paradoxical situation, that, despite the fact that we have made extraordinary cuts in production, demand is still continually lagging behind supply. And thus, we have chronic production surpluses, which we don't know what to do with. The task of finding some way to turn these surpluses into things of value, is the real, and most urgent problem for our economic policy to solve; and, in principle, it is relatively simple to do that: Surpluses of physical goods, unutilized productive plant, and unutilized labor power can be applied toward meeting a new economic need—a need which, from an economic standpoint, represents a capital investment. We can conceive of such tasks, as ... public works, or works carried out with public backing, which for the economy would mean an increase in our national wealth, and which would have to be done anyway, once normal conditions returned (road construction, desirable improvements and expansion of the railway system, and the like)....

"With such an investment and credit policy, the imbalance between supply and demand on the domestic market will be remedied, and all production will once again be given a direction and a goal. If, however, we fail to institute such a policy, we are headed for inevitable, continued further collapse, and the complete gutting of our national economy, moving into a situation that will force us, in order to avert a domestic catastrophe, into taking on short-term public debt purely for purposes of consumption; whereas today, it is still within our power, to preempt this credit for productive purposes, and

thereby to bring both our economy and our public finances back into balance."

He was saying that we have two possibilities: Either we create credit right now for investment, or else, in very short order we will have to do it anyway, but merely in order to finance unemployment—exactly the situation we have today.

Hans Schaeffer, state secretary in the Finance Ministry, lent his full support to the Lautenbach Plan, and as late as September 1933 wrote a memorandum about it. A similar proposal was also made by Ernst Wagemann, head of the Reich Statistical Office and of the Institute for Conjunctural Research. In January 1932 he published a great number of copies of his own plan, which involved the creation of 3 billion reichsmarks for the creation of jobs.

This theme went very much in favor of the reformers at the time, because of the crisis during the summer of 1931, which had thrown the entirety of the Reichsbank Law, and also the Young Plan for reparations payments, into the wastepaper basket, because everything was coming apart—just as the Maastricht Treaty and its Stability Pact is flying apart today. For, it is precisely at points when such apparently set-in-stone situations become unsustainable, that such reforms can actually be implemented.

On Jan. 29, 1932, Schaeffer wrote in his diary that the Chancellor—i.e., Brüning—was particularly incensed over Wagemann, because the latter had claimed he had created the impression with the trade unions that there existed some means other than the deflation policy, to improve the situation. And secondly, Wagemann's proposals could spell big trouble for the reparations payment program.

What he is referring to here, is the fact that many historians today have surmised that with his deflation policy, Brüning wanted to intentionally ruin the economy in order to make the point that Germany could not pay the reparations. At the time, there were indeed negotiations for debt relief, the so-called Hoover Moratorium. But that came too late for Brüning, and this terrified him; he had an image of himself as a marathon runner, who was only 100 meters away from the finish-line, but who couldn't run the final stretch.

And thirdly, Schaeffer wrote in his diary, it is to be feared that the National Socialists, who up to then had sought in vain for a credible monetary policy, would adopt Wagemann's plan, and could derive an advantage therefrom.

But that was by no means the actual situation, because all of the proposals for reform had been made by democrats—by Social Democrats, by trade unionists—and not by the National Socialists, who then, in the Nov. 6, 1932 elections, came in with 2 million fewer votes than previously. Hitler himself expressed thoughts of suicide as an ultimate option, in the event that the movement collapsed.

Von Papen was to form a new government in November 1932, and he made the insane proposal to dissolve the Reichstag, and to base his support solely on the Reichswehr (Army). General von Schleicher warned President von Hindenburg that in view of the right-left confrontation, this would lead to civil war. Hindenburg wanted to name von Papen Chancellor nevertheless, but all but two members of his cabinet voted for von Schleicher instead.

Von Schleicher was installed as the Weimar Republic's last Chancellor on Dec. 2, 1932. He was firmly convinced that the republic could only be defended by forming a broad-based alliance of the labor movement and the Reichswehr. And beginning in November 1932, he sought to build this so-called "Diagonal Front," a broad coalition of diverse social forces which, together, could implement this economic stimulation program.

Theodor Leipart, the chairman of the ADGB, was in favor of this Diagonal Front. The German Catholic Trade Union Movement, both the Christian Trade Union and the Free Trade Union, the Reichsbanner [militia arm of the Social

Democratic Party], the German Retail Employees Union, the Stahlhelm, the German Association of Municipalities and Counties under its president, Dr. Gerecke—all of these people were prepared to support von Schleicher in carrying out this program. Dr. Gerecke himself had worked out a job-creation program for the von Schleicher government, one which was in line with the proposals made by the Luebeck industrialist Draeger and his circle.

Draeger had made similar proposals: He wanted to first make 3 billion reichsmarks available, and if this test were successful, then an additional 5 billion, and ultimately a total of 10-20 billion reichsmarks over the course of the decade. But unfortunately this plan was not adopted, and although von Schleicher did issue a very notable government declaration on Dec. 15, 1932, the stupidity of the Social Democrats became one of the chief domestic reasons why it failed. Specifically, Rudolf Breitscheid, leader of the SPD's parliamentary faction, stated at the time: "We're not going to hold any talks with a reactionary general!"

And then, on Jan. 11, 1933, the SPD expressly forbade ADGB chairman Leipart from holding any further discussions with von Schleicher. As is well-known, three weeks later came Hitler's seizure of power—an act accomplished with the assistance of Hjalmar Schacht and certain Anglo-American financial circles.

But today we can say with absolute certainty, that if Woytinsky's proposals, and those of Lautenbach, had been implemented in 1931, the conditions would not have existed for two years as they did, making it possible for the Nazis to seize power. And if von Schleicher had had even a mere six months' time to implement his program, the same would have been true. Which is to say that if, in Germany, people had been able to follow the same policy as Franklin Delano Roosevelt in America, in all foreseeable probability, World War II would never have happened.

And if we are to learn *anything at all* from this history, we should really say the following: If people are already talking now about Bruening, if people are already talking now about the Lautenbach Plan and the other reforms, then it is high time for us today to study the mistakes of the 1930s, so that we do not repeat those failed policies. Today we have, in the form of the New Bretton Woods proposal, the Eurasian Land-Bridge, quite concrete proposals as to how the Lautenbach-Woytinsky Initiative can be implemented.

And that is not just whistling in the dark: By a majority vote, the Italian Parliament has already voted its approval of my husband's proposal for a new financial system, one that is oriented not toward speculation, but rather toward production. The Italian Super-Economics Minister Tremonti, who is also directly influenced by my husband's ideas, has called for a "New Deal" for Europe. My husband has already spoken today about how the Russia-China-India Strategic Triangle is already working together; and thus, within the Eurasian Land-Bridge, we would have an entirely natural orientation for German export markets.

I think we are in a situation today, in which we shall *not* have the situation where, 70 years from now, someone will be asking: "Why weren't these proposals adopted in 2002/2003, either?" and where no one knows what the outcome might be. Today, the main threat is chaos, and worldwide collapse.

I would like to urgently call upon you all—my husband has already said "Help me," and I say the same: "Help me, too, to implement this policy in Germany, and, for starters, to lead a broad public debate about this 1930-33 period, and about the options that existed at that time, and to draw the right conclusions from it."

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\*In German, a pun: The German Finance Minister's last name Eichel also means "acorn" or, in slang, "the head of the male sex organ."



# Latest From LaRouche

## How To Reconstruct A Bankrupt World

Mr. LaRouche delivered the following address to a public event sponsored by Schiller Institute on Dec. 12 in Budapest. The audience of 120 people remained for three hours of discussion.

## LaRouche in the Middle East:

### Coverage in *Al-Bayan*, *Al-Watan*, *Asharq Al-Awsat*, *Al-Sabah*, and *Daily Star*

In the week of Dec. 12-20, there was an explosion of coverage of Lyndon LaRouche in the leading Arabic press, witnessing an escalated interest in LaRouche's ideas and his campaign to save the U.S. Presidency from the pitfalls of a new Thirty Years' War, and the global financial collapse.

## U.S. ECONOMIC/FINANCIAL NEWS

### **Greenspan Promises To Print More Money**

Following the Nov. 21 announcement by Federal Reserve Governor Ben Bernanke, Fed chairman Alan Greenspan himself on Dec. 19 reassured financial markets that there are no limits to the Fed's providing as much liquidity—i.e., printing as much money—as is needed to keep the financial system afloat.

Addressing the Economic Club of New York, Greenspan said: "One also should not overstate the difficulties posed for monetary policy by the zero bound on interest rates and nominal wage inflexibility even in the absence of faster productivity growth. The expansion of the monetary base can proceed even if overnight rates are driven to their zero lower bound. The Federal Reserve has authority to purchase Treasury securities of any maturity and indeed already purchases such securities as part of its procedures to keep the overnight rate at its desired level."

Otherwise, Greenspan again babbled about bubbles: Central bankers are intrinsically unable to detect speculative bubbles before they burst, he asserted. And, even if they were to detect such a bubble, they couldn't do anything about it, without doing an "unacceptable amount of collateral damage to the wider economy."

Instead, the Federal Reserve likely will clean up after the bubble—which ends "suddenly, unpredictably, and often violently."

The real dynamic in the American economy is underlined by an unprecedented series of mega-bankruptcies. Just a few days after the insolvency of United Airlines, the largest airline bankruptcy in U.S. history, the insurance and financial giant Consec was forced to file for Chapter 11 bankruptcy. The company listed \$51.1 billion in debts and \$52.3 billion in assets, the third largest U.S. bankruptcy ever, just behind WorldCom and Enron. Of the 10 biggest bankruptcies in American history, seven occurred during 2001 and 2002 (Pacific Gas & Electric, Enron, Global Crossing, Adelphia, Worldcom, United Airlines, Consec).

### **Bernanke-Greenspan Approach Becoming Hegemonic in Economic and Financial Policy?**

"The new trend in economic and financial policy that is now becoming hegemonic, is the one announced in November by Federal Reserve Governor Bernanke," said a leading British financial commentator, who is generally close to certain U.S. Republican Party economic-policy circles. He was referring to the infamous Nov. 21 speech by Bernanke, in which he laid out an "electronic money-printing" "prescription" for the American economy, which has been denounced by LaRouche, for

assuring that the U.S. would enter into a Weimar/1923 hyperinflationary spiral.

According to the British source, who spends a lot of time in Japan, the Bernanke trend has been echoed, in one form or another, by various Japanese policymakers.

He said: "In the new situation we have entered, with the Bush Administration personnel shake-ups and the like, it is now being admitted, that the economic outlook is worse than the general assessment had previously been. At last, the complacency that previously prevailed, has been disturbed, and we will now see anti-deflation measures adopted." All of which sounds good in words, but his proposed cure is far worse than the disease itself.

When confronted with LaRouche's view of the matter, he responded, "Yes, there is a hyperinflationary risk. But I wouldn't go overboard; Weimar is not on the cards. The risk is there, but the hyperinflationary trend can be managed and controlled."

### **Will Big 'Financial Institutions' Soon Crash?**

Will big "financial institutions" soon crash, because of a liquidity crunch worldwide? This possibility was raised to *EIR* by a well-connected City of London source.

He stated that the most "interesting and alarming" factor now, in the global financial system, is "the illiquidity in the money markets." This is apparent in both Japan and in the "Eurozone" countries. "Liquidity is not easy to get," the source stressed, "so some big banks will have to crystallize their losses. This could be life-threatening for some important financial institutions. We are in a time of massive stress, particularly for those institutions that have been at the wrong end of derivatives deals."

He further forecast that "the Central Banks will soon move in, to help some troubled institutions."

### **Low U.S. Holiday Sales Drove Down Stocks**

Despite massive discounting by retailers, holiday sales fell 11% during the period between Thanksgiving and Christmas, to \$113.1 billion, compared to \$127.3 billion last year, according to ShopperTrak RCT's national estimate.

Stocks continued the collapse begun in March 2000. The Dow Jones Average tumbled 128.83 points (1.5%) to 8303.78; the S&P 500 Index dropped 1.6%; and the Nasdaq fell 1.4%. So far this month, the Dow has fallen 6.7%—its worst performance in December since 1931—while the S&P is down 6.5%, and the Nasdaq 8.8%. European markets all fell, anywhere from 2-5%.

Bush will announce his (delusionary) economic package in a mid-January speech, according to unnamed Administration officials cited by the *Wall Street Journal*.

### **Soros Convicted in France**

Mega-speculator and drug-legalizer George Soros was found guilty by a French judge of insider trading in his 1988 aborted takeover of Société Générale. Two others indicted with him were acquitted. Soros faces a fine of \$2.22 million, which is the sum prosecutors are asking—i.e., what he made from this illegal operation.

Soros was not in the French court to hear the verdict. Instead, he was busy "predicting" to BBC News that the U.S. dollar could lose one-third of its value over the next few years and the stock market could fall "much lower." This generally means he's speculating in this direction.

Malaysian Prime Minister Dr. Mahathir Mohammad commented that the verdict backs up his evaluation that Soros was not only a menace to his country, but "the menace to the world' economy."

### **Collapse of State Revenues Begins To Affect Cities, Counties**

Two new reports say state revenue deficits will hit \$60-85 billion in fiscal 2004, while planned health-care cuts will leave 1 million low-income people uninsured. That size deficit represents 13% to 18% of state expenditures.

Planned cuts to health care in 11 states will result in 1 million losing health insurance coverage, including Medicaid. With cuts hitting mostly the working-poor families and children of low-income homes—although some elderly and disabled people are affected too—the report gives a few examples: 500,000 in California are slated to lose coverage; 160-250,000 in Tennessee; 80,000 in Oklahoma; 26,000 in Nebraska; 36,000 in Missouri; and 50,000 in Massachusetts.

As state deficits soar, hundreds of American towns and counties are considering laying off police, firemen, and teachers in response to collapses in state revenues, just as governors plan to cut state aid to towns and counties—the front line of America's safety net. The slashing of local aid will also jeopardize municipal bond ratings and cause debt defaults. Here's a sample of the "slaughter," as one elected official called it:

\*Massachusetts: "We can't deny the monster that's at our door: It's this huge, precipitous revenue free-fall, the worst in the state's history," State Rep. John Rogers (D) said of the state's \$2-billion deficit, as he urged aid cuts to cities and towns. State Sen. Mark Montigny said tax hikes are required, even as he admitted, "There's no scenario where we won't have cuts.... Anything that, in the past, has been an unscathed sacred cow is very likely to be, if not slaughtered, then significantly injured," referring to "drastic cuts in local aid."

Governor-elect Mitt Romney (R) said, "We're getting pretty close to empty in terms of our cash ability to pay bills," as he asked cities and town to make "contingencies" for a likely "delay in local aid payments" due them on Dec. 31. Springfield Mayor Michael Albano says an 8% cut would force him to lay off 300 teachers, 20 school nurses, and 60 counselors and custodians. Fall River Mayor Ed Lambert said, "We've cut services to the bone" this year by laying off 40 police officers and firefighters. Boston Mayor Tom Menino said he'd have to raise taxes and lay off teachers.

\*Connecticut: "We're at the bottom of the food chain," Newtown First Selectman Herbert Rosenthal said, noting that, unlike the state, municipalities have to pass on costs to their citizens "with property tax increases or [cuts] in services, neither of which we want to do." Governor Rowland plans to cut at least \$85 million in local aid. New Haven Mayor John DeStefano said he'd have no choice but to lay off police officers, firefighters, and teachers. Hartford Mayor Eddie Perez has laid off 220 and will have to lay off more if the cut is adopted. On top of the \$85 million, \$24 million has already been cut and another \$94 million may be cut from education cost-sharing funds for local school budgets, bring the total loss to cities and towns to \$203 million.

\*Pennsylvania: The Allegheny County Controller Dan Onorato warned that the county government will shut down in less than two weeks due to budget differences. Nearly \$2 million is being cut by line-item veto exercised by Chief Executive Jim Roddey. But County Council Democrats object, and have raised legal objections. Onorato says that under state law he cannot sign checks for the county unless he has a single budget authorizing spending, hence the potential shutdown.

\*Minnesota: Governor-elect Tim Pawlenty (R) met with Gov. Jesse Ventura to ask that he hold back \$544 million in aid to cities and counties as a short-term measure to plug the growing deficit. Localities here get aid payments twice a year and use them to pay for social services, police, and schools. Executive Director Jim Miller of the League of Minnesota Cities said these cuts would put localities into the hole before next year's expected cuts. The city of Hancock would default on a U.S. Department of Agriculture loan used for sewer and water projects. Duluth could default on a short-term loan it took out to cover its operating budget.

Meanwhile, hunger is growing. In Washington, D.C., 285,000 people annually seek food aid from food banks. But this Christmas time demand is up. A crisis looms as food donations are down and fundraising is 30% below projections.

In New York City, without soup kitchens, pantries, and shelters, 20% of New Yorkers would go hungry. The Food Bank of New York City reports an "unrelenting surge in demand for food since Sept. 11." As of September 2002, more than 1.5 million of the city's 8 million people depended on free food to survive, including 500,000 children and 300,000 seniors.

### **U.S. Budget Deficit Leapt to \$59.10 Billion in November**

The U.S. Treasury Department announced that the U.S. budget, when reported on a unified budget basis, amassed a \$59.10-billion deficit in November. During the previous month, the budget ran a \$53.99-billion deficit. The fiscal year 2003 Federal budget started Oct. 2, 2002; thus, through just the first two months of FY 2003, the U.S. has run an enormous combined deficit of \$113.09 billion. This is \$51 billion greater than the budget deficit it registered for the first two months of fiscal year 2002.

But the real situation is worse. The "official" budget deficit the Treasury reports on, which is called the "unified budget," is a sham agglomeration, which illegally mixes the actual budget, the U.S. General Revenue Budget, with the off-budget surplus of the Social Security Trust Fund. But the Social Security Trust Fund is a special fund, with its own dedicated tax revenue stream, and should not be mixed in. If one correctly refuses to count the surplus of the Social Security Trust Fund, the U.S. government's General Revenue budget (the real budget) was \$119.72 billion in deficit during the first two months of fiscal 2003.

It is realistic to expect that the U.S. government will run a real General Revenue FY 2003 budget deficit of \$400 to \$500 billion.

### **U.S. Air Gets \$200 Million More Back from Unions**

All U.S. Airways union negotiators agreed to significant work-rule and benefit concessions on Dec. 20, thus cobbling together an additional \$200 million in cost savings for U.S. Air. The debtor-in-possession lender, Retirement Systems of Alabama (RSA), threatened to liquidate U.S. Air without \$200 million in further givebacks. The pilots ratified concessions worth \$100 million on Dec. 14, and the remaining unions will vote in early January on the new givebacks recommended by the negotiators.

International Association of Machinists (IAM) 141-M chief negotiator Scotty Ford wrote the members, "We believe this agreement affords U.S. Airways the best opportunity to avoid liquidation and preserve our members' jobs.... Our members have to examine their own personal situation, compare employment alternatives, and determine if this agreement is in their best interest." The spokesman for the flight attendants' union, Jeff Zack, commented, "If it keeps the airline from liquidating, it's a positive development."

### **Gold Keeps Rising, Dollar Keeps Falling**

Gold for current delivery closed at \$349.20 per troy ounce Dec. 27 on the New York Commodity Exchange (Comex), rising 50 cents from its close on Dec. 26. It is approaching its highest level since 1996; gold has risen for 11 of the last 12 trading sessions. At the same time, U.S. crude for February delivery set a fresh two-year high of \$32.72 per barrel at the close of trading on the New York Comex. In New York, crude oil prices have now risen \$10 per barrel since the start of 2002. In London, Brent (North Sea) oil closed at \$30.16 per barrel, an increase of 55 cents from Dec. 26.

The U.S. dollar fell against the euro, as the euro is now worth \$1.044 as of Dec. 27; this is the dollar's lowest level since November 1999. The euro has gained 4% against the dollar just during the month of December. The dollar fell to 1.3905 Swiss francs, a fresh four-year low. The Swiss franc is serving as a safe haven for those moving out of the dollar. The dollar broke below the psychological level of 120 Japanese yen to the dollar, closing at 119.85 yen.

## WORLD ECONOMIC NEWS

### Will Major Israeli Bank Collapse?

Bank of Israel Governor David Klein told Israel's *Ma'ariv* in an interview that "it is not beyond the realm of belief that a major bank will collapse." This, added to the environment where the shekel has been collapsing against the dollar, has caused another loss of 0.55% as of Dec. 27. Later, Klein qualified that he was not identifying a specific bank, but was making a generic warning.

### Profile of Hunger in the West Bank/Gaza Strip

After the Israeli Defense Forces demolished 537 metric tons of food used by the World Food Program to feed 500,000 Palestinians back in early December, the WFP put out this geographic profile of hunger in the West Bank/Gaza Strip area.

Town	# of Inhabitants	# of people who lost jobs since Dec. 2000	# people in need of food aid
Hebron	457,781	50,000	100,000
Bethlehem	153,954	47,000	30,000
Jerusalem	367,000	50,000	7,000
Ramallah	243,432	19,400	30,000
Nablus	331,688	13,000	50,000
Qalauilia	81,900	16,000	16,000
Tulkaram	149,188	15,000 +	24,000
Salfit	54,600	n/a	11,000
Jenin	225,700	20,000 +	45,000
Jericho	37,066	n/a	7,000
Gaza Strip	1,196,000	44,000 +	300,000

Many of these cities are 50-90% dependent upon either trade with Israel and/or day wages of people who used to work there. For example, in Jenin, almost 70% of its economy depends on commerce and daily jobs in Israel, but as of November, 90% of that trade had ceased, because of closures and curfews. In the Gaza Strip, according to the WFP profile,

68% of Palestinians have fallen under the poverty line. The 300,000 people in need of food there are non-refugee Palestinians.

### **Japan's 'Megabanks Desperate To Escape Nationalization'**

Japan "Megabanks Desperate To Escape Nationalization" was the headline in *Nikkei* on Dec. 23, describing arcane plans in which Japan's \$1-trillion banks are moving their management shells around, without having any idea how to actually escape going under.

Mizuho Group is making its current top holding company, Mizuho Holdings, into an intermediate holding company by establishing another holding company above it. They are doing this because it may allow them a legal loophole to avoid using "impaired asset accounting," under which they would have to write off several trillion yen worth of assets at the current top holding company.

This in turn would mean they could not pay huge dividends to the government for the bailouts which the group's component banks, such as Dai-Ichi Kangyo Bank, received from the government in the big 1998 bailout—and failure to pay would mean immediate nationalization.

Sumitomo Mitsui also has a new scheme to acquire Aozora Bank, formerly Nippon Credit Bank, aimed at securing funds to pay similar government dividends so the government can't take them over. "These moves will likely enable the megabanks to avoid being placed under state control, but will not fundamentally help them resolve their crucial problem—the cleanup of bad loans," notes *Nikkei*. This is why their stock prices continue to collapse.

## **UNITED STATES NEWS DIGEST**

### **Two 'Vulcan Hitmen' Are Out at Treasury**

The number two man at Treasury, Deputy Secretary Kenneth W. Dam, and his subordinate, Undersecretary for International Affairs John B. Taylor, just followed their boss Paul O'Neill out the door. *EIR* had heard from Asian sources that these hard-line monetarists were on the chopping block, after the failure of Taylor's effort, with Trade Rep. Robert Zoellick, to strongarm Chile and Singapore to agree to unacceptable conditions (swearing never to use currency controls, even in an emergency) as part of proposed free-trade agreements. This effort came close to sabotaging the deals altogether, to the anger of U.S. business circles.

Dam, a close associate of George Shultz, served under Shultz both at OMB and the State Department, and co-authored a book with him, attacking the IMF for being too kind to third world countries. Shultz was the driving force behind the Vulcans, who helped shape the George W. Bush campaign in 2000, bringing together the chickenhawks and the extreme monetarists, including Larry Lindsay (now fired as Bush's economic advisor along with O'Neill) and Trade Rep Zoellick.

Taylor was an international hard-cop for radical free trade. Now he will presumably return to Stanford, where he taught whacko monetarist "economics." In 1998, Professor Taylor developed the thesis that the U.S. was in a 15-year "Long Boom" of prosperity. After eliminating the service economy, better inventory control, absence of external shocks, and fiscal policy, as causes for the "Long Boom," Taylor concluded, by elimination, that the cause must have been the Federal Reserve policies of Volcker and Greenspan.

### **Former Va. Governor: GOP Must Reject Segregationism—Or Sink into Oblivion**



Former (1970-74) Virginia Governor Linwood Holton, a Republican, describes in a recent *New York Times* column the debate that was raging within the Republican Party 35 years ago: Whether the party should take advantage of Southern Democratic resentment against the civil rights movement to lure white racists into the party, or whether to do just the opposite and open up to African-American voters.

Holton notes that he was part of a group of moderates who urged the GOP to support civil rights and to welcome black voters. But, he says, "a more cynical vision prevailed among the party's national leaders," and he continues:

"With Nixon strategists leading the charge, these few (but prominent) Republicans opted for the so-called Southern strategy to lure white racists into a coalition with the party's traditional business constituency. The tactic was simple: Lace your speeches with coded appeals to racists in Southern states, dressing up policies in the language of fiscal conservatism." The code was understood by the racist voter, but gave the politician "plausible deniability" with non-racist voters.

It has become the conventional wisdom that the Southern strategy was a tremendous success, Holton notes, but this ignores the historic gains made in Virginia by rejecting the Southern strategy.

Holton relates how he put together a progressive coalition of business, labor, and black voters, and how he got nearly 40% of the black vote in the 1969 elections, and became the state's first Republican Governor since Reconstruction. (Holton's base was among progressive Republicans in the Shenandoah Valley, who still somewhat maintained the party's Lincoln tradition as against the racist Byrd machine which dominated most of the state through the Democratic Party. In his inaugural address, Holton quoted Lincoln—considered treason among the Byrd Confederates.)

But the national Republican Party rejected the lessons of Virginia and "was willing to accept the membership of Southern white supremacists as the price to pay for a hoped-for Senate majority."

Holton says that he and others argued that the Southern strategy was not only morally bankrupt, but also short-sighted, and that it would destroy the Republican Party in the long run.

Today, with the fall of Trent Lott, "the long run is upon us," Holton says, concluding that the Republican Party can go with President Bush and his rejection of segregation—or "we can hang onto the divisive politics of racism and sink gradually, but inevitably, into oblivion."

## **Media Push for War with North Korea**

Reporters at the Pentagon last week badgered Secretary of Defense Donald Rumsfeld regarding the news that North Korea was removing the seals from nuclear reactor components that have been frozen since 1994. A number of reporters were baiting him as to whether the U.S. could fight wars against terrorism, in Iraq and in North Korea all at the same time. "The answer," he said, "is yes, we are perfectly capable of doing that which is necessary." At the same time, however, he emphasized that such a decision was not in his hands, and that the situation is being handled by the State Department. He said the subject of North Korea's nuclear program "has been under intensive discussion by the President of the United States with the People's Republic of China, with Russia, with Japan, and with South Korea. And those discussions are ongoing."

In response to further questions, he said, "The diplomacy that's under way there is in its early stages for the United States and the interested neighboring countries. It seems to me a perfectly rational way to be proceeding."

Meantime, another influential Republican, Sen. Richard Lugar of Indiana, the incoming chairman of the Senate Foreign

Relations Committee, commented that any U.S. military action against North Korea would be "very inadvisable." Rebuffing the hysteria by the Chickenhawks and the press over North Korea's move to restart its nuclear facilities, after the U.S. and its allies had halted oil shipments, Lugar said that were the U.S. to take military action, Pyongyang most likely would retaliate against South Korea in a "devastating" confrontation. Instead, "our strategy now has to be one of multilateral engagement" with other nations, such as Japan, China, and Russia, as well as cementing ties with South Korea. (See [ASIA DIGEST](#) for more.)

### **Bottom-Feeder Safire Pushes Escalation in Korea Crisis**

Under the title "North Korea: China's Child," bottom-feeder columnist William Safire, writing in the *New York Times* Dec. 26, calls for an escalation by the Bush Administration against North Korea. After swipes at Clinton for the 1994 deal with Pyongyang, and the South Koreans for electing the new Roh government, which will follow Kim Dae-Jung's Sunshine Policy vis-à-vis, Safire demands the Administration take two steps: First, begin withdrawing troops from South Korea, and second, make clear to China that they are responsible for restraining their "communist partner" in Korea.

Safire's rationale includes the fact that the U.S. would have "far greater freedom of action" (to kill Koreans, that is), if the U.S. withdrew troops from the Peninsula. Second, Safire blames the whole North Korean situation on the fact that China "saved it from defeat by U.S. forces" in the 1950s. He insists that the incoming Chinese leader, Hu Jintao, act now to "rein in the danger."

### **A Defensive Wolfowitz Tries To Refute Claims of Military Opposition to War**

A defensive Deputy Defense Secretary Paul Wolfowitz wrote an op-ed in the Dec. 23 *Washington Post*, trying to refute a front-page story which appeared in the Post last week, citing Joint Chiefs of Staff opposition to the utopian war plans coming out of the office of the Secretary of Defense.

In a highly unusual move, two of the Chiefs, Army Gen. Eric Shinseki and Marine Corps Commandant Gen. James Jones, were cited by the *Post* as leading the opposition to the incompetent and dangerous flight-forward war plans of the Chickenhawks. In his *Post* op-ed, Wolfowitz tried to paper over the differences, claiming that everyone at the Pentagon—both the civilians and the uniformed military brass—are in full agreement about the Iraq contingencies.

Wolfowitz particularly objected to the fact that the Dec. 18 *Post* story, "Projection on Fall of Hussein Disputed," repeatedly referenced the "Wolfowitz School," and the "Wolfowitz view," that Saddam Hussein's government "will fall almost immediately upon being attacked." Wolfowitz denied that this was his view, and tried to portray the "intense discussions" between Defense Secretary Rumsfeld, himself, and the Joint Chiefs of Staff over the Iraq war plans, as proof that there were no differences.

He could not resist taking a swipe at those pushing inaction against Iraq, practically holding them accountable, in advance, for the next terror attack on the U.S.—as if there were evidence of Iraqi links to the 9/11 attack.

### **Democratic Senators Demand Ashcroft Do More!**

Democratic Senators are demanding that Attorney General John Ashcroft carry out more, not less, surveillance and raids. Appearing on *CNN's* "Late Edition" on Dec. 22, Sen. Bob Graham (D-Fla), the top-ranking Democrat on the Senate Intelligence Committee, was asked if war with Iraq is inevitable. Graham answered that there is "a substantial likelihood that we will go to war with Iraq this winter," and he went on to say that what has gotten inadequate attention, is the intelligence community's warnings that, if the U.S. attacks Iraq, "there will be a wave of terrorist attacks against U.S.



interests abroad and in the United States."

"I think it is critically important that in the weeks and days left between now and when a war might start," Graham said, "that we take every possible step within the United States, primarily through the FBI, to identify, arrest, deport, put under surveillance, those who might lead those terrorist attacks, and abroad, primary in the Middle East, we should be pounding at the headquarters and training camps of those international terrorist organizations," explaining that the U.S. has only been going after al-Qaeda. (In the past, Graham has called for U.S. strikes against organizations such as Hezbollah.)

Graham said that "we are lethargic on both fronts," and that the FBI is "way behind" what it ought to be doing.

Meanwhile, in the *Washington Post* the same day, Omar Ricci, chairman of the Muslim Public Affairs Council, said at the Council's convention in Long Beach, Calif., that the Patriot Act, passed in the wake of 9/11, "is the biggest attack on democracy in America right now." This follows the arrest and detention of hundreds of Middle Eastern men who voluntarily appeared at Immigration and Naturalization Service offices recently to register, as required under new Federal regulations affecting non-citizens from 12 mostly Arab and Muslim countries.

A coalition of Arab-American groups and some immigrants is suing Ashcroft and the INS for detaining the immigrant men

It has also been revealed that the FBI has written to American universities, asking them to secretly provide personal data on foreign students and teachers. Senators Pat Leahy (D-Vt) and Ted Kennedy (D-Mass) sent a letter to Attorney General John Ashcroft, questioning the legality of these requests.

### **The Swindle Continues: DCHC Took the Money; Its Hospital Fails Inspection**

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) has refused to restore Greater Southeast Community Hospital's full accreditation, leaving it in conditional status. "Conditional" accreditation means that "a health care organization fails to demonstrate compliance with the standards in multiple compliance areas," JCAHO says, adding that, except for the "special circumstances" of the hospital's bankruptcy filing last month, it would have refused to give Greater Southeast any status at all, because of the conditions found during a re-inspection last month.

As *EIR* has previously reported, an inspection last Spring found numerous safety and health violations. Problems found this time include: emergency room patients having to wait because of back-ups in the ER and intensive care; medical charts not being updated properly; lack of medical supplies; no effective infection-control program; the safety plan not updated; and preventive safety maintenance not being performed.

The *Washington Times* Dec. 24 quoted doctors at the hospital saying that the money given to the hospital from the city is not being put back into the hospital for supplies and support staff. ER doctors have complained that DCHC is not spending money on medicine and equipment. "I'm surprised they gave them the conditional accreditation at all," said one physician.

After the corrupt takeover of D.C. General last year by DCHC, staff at D.C. General complained that Greater Southeast was looting the public hospital of supplies and equipment. With the bankruptcies of DCHC and its financial partner National Century Financial Enterprises, it has been exposed that they were running a multibillion-dollar looting operation against hospitals and healthcare organizations nationwide.

## **IBERO-AMERICAN NEWS DIGEST**

### **Colombian Terrorists Blow Up Bus Full of Oxypet Oil Workers**

In their drive to punish the foreign oil companies which to their mind "run Colombia," the ELN (National Liberations Army) terrorists on the night of Dec. 22 blew up a bus carrying 16 Colombian oil workers to the Cano Limon oilfield run by Occidental Petroleum.

Two workers were killed and 11 seriously wounded; three more escaped through bus windows and hid for hours before other workers arrived to rescue them. The 300 workers at the site declared a 48-hour work stoppage to protest the attack, and chapters of the United Oilworkers Union (USO) across Colombia held protests at the inadequate security at the site.

Workers at Cano Limon had protested last April when the FARC narcoterrorists declared all workers for foreign oil companies to be "military targets." The province of Arauca—along the border with Venezuela, where much oil is concentrated—has consistently been a target of terrorist attacks in the recent period, many of them against civilian locations, such as hotels and restaurants.

### **World Bank Offers Chavez Millions To 'Stabilize' Venezuela's Economy**

In the midst of total political, social, and economic chaos in Venezuela, the World Bank has offered to give Venezuela's looney-tunes President Hugo Chavez anywhere from \$100 million to \$500 million a year to stick to an economic "reform" program that would allegedly help stabilize the country, which is in the grip of a devastating economic crisis.

According to a statement issued by the Bank, its people got together with Chavez's people and came up with a program that would, "if successfully implemented," supposedly lead to economic stability, economic diversification and competitiveness, sustained social and environmental development, and good government. The Bank added that if Chavez carries through the program, Venezuela would retrieve its good standing in the international financial community, and would receive the Bank's support in other critical sectors as a reward.

The statement added that while this aid strategy faces "serious risks of deepening political turmoil and civil unrest,... these risks are worth taking, however, given the rewards of increasing the Bank's engagement in Venezuela...." Chief among the rewards of engagement in Venezuela is, of course, access to the country's oil.

### **Paraguay Can't Make \$40-Million Debt Payment**

Paraguayan Finance Minister Alcides Jimenez told the *Primero de Marzo* radio station—according to *O Estado de Sao Paulo* Dec. 26—that after the recent disbursement of \$75 million to pay state sector wages for November, there are no funds to make debt payments. "We have no way to pay arrears," he said.

Paraguay's total (unpayable) foreign debt stands at \$2.2 billion. The International Monetary Fund is demanding that the country's Congress pass an austerity package as a condition for a standby loan, but Congress has so far refused to do this.

### **Dramatic Drop in Employment in Mexico's *Maquiladoras***

The drop in employment in Mexico's *maquiladora* "industry" has been dramatic throughout the country's northern region. In Baja California Sur, employment through October of this year declined by a whopping 43%, while in Sonora, the decline was 17.4%, compared to the same period of 2001. Big declines also occurred in Nuevo Leon, Chihuahua, Guanajuato, Puebla, Mexico State, and Zacatecas, all due to the cancellation of *maquiladora* "programs" which produce solely for export, and have nothing to do with Mexico's physical economy or domestic wellbeing. Textile and electronic assembly plants were particularly hard hit. Activity in plants that assemble electronic components dropped by 15.2% annually.

When the agricultural clauses of the North American Free Trade Agreement (NAFTA) go into effect on Jan. 1, 2003, this picture of devastation for Mexico's labor force will worsen. According to the accords, tariffs on all but a handful of agricultural products the U.S. wants to export to Mexico will be lifted, making them cheaper than the same goods produced in Mexico. Fearing that they will be driven out of business by a flood of cheap agricultural imports, Mexican farmers have demanded that President Vicente Fox delay or postpone implementation of the accords for at least three years. But Fox announced Dec. 20 that there will be no delay in implementing the agricultural accords, arguing that "the solution lies in seeking competitiveness and [higher] productivity, and we're taking the relevant measures." The only thing Fox has done is to arrange for what is essentially a small monetary handout to farmers, which is insignificant in comparison to the huge threat they face.

Farmers are mobilizing for major demonstrations on Jan. 1, to block key border crossings and port access, to protest the government's refusal to act on their behalf. Fox is stepping up police and military deployments at border locations, airports, and other strategic points, in anticipation of the protests.

### **No Conclusive Evidence al-Qaeda Is Operating on Brazil, Argentine Borders**

There is no conclusive evidence that al-Qaeda is operating in the tri-border region where the borders of Paraguay, Brazil, and Argentina meet, according to the conclusion drawn at a Dec. 16-18 meeting in Buenos Aires, attended by representatives of those three nations, and the U.S. State Department's Coordinator for Counter-Terrorism, Cofer Black. Countering "analysis" recently put out by the Moonie-owned *Washington Times* and other utopian mouthpieces, to the effect that al-Qaeda and Hezbollah were using the tri-border region as a base to plan terrorist attacks in the Western Hemisphere, Argentina's Deputy Foreign Minister Martin Redrado said that the Buenos Aires meeting had detected no evidence of terrorist training in the region. In a Dec. 20 briefing in Washington, Black added, "There has been no concrete, detailed tactical information developed that there are [terrorist] sleeper cells or al-Qaeda operatives in the area."

But, Black indicated, there is concern that remittances from illicit money-laundering and contraband in the region could end up in terrorist hands. Other unnamed U.S. officials have charged that Hezbollah and Hamas use the region for raising money, and warn that these funds could eventually be transferred to al-Qaeda, or that al-Qaeda itself might eventually set up operations there. Representatives of the four countries have therefore agreed to establish a working group on financial intelligence, and the U.S. will provide \$1 million for anti-terrorism financing initiatives.

But Antonino Mena Goncalvez, the Americas Director for Brazil's Foreign Ministry, urged caution. "There is suspicion, as there can be in any part of the world. But we have no confirmation of money transfers. We want concrete evidence." Brazil has been particularly resistant to the characterization of the tri-border region as a terrorist training ground—charges that have intensified since Sept. 11—fearing that this augurs stepped-up foreign intervention into a region largely inhabited by Arab immigrants, that would threaten its sovereignty.

### **Brazilians Have a Right To Worry About Targeting of Tri-Border Region**

The *New York Times*' Larry Rohter warned in a Dec. 15 article that "Islamic extremists are also gravitating toward Sao Paulo," the huge Brazilian industrial city which granted Lyndon LaRouche honorary citizenship last June. The city has "the largest concentration of Brazil's estimated 1.5 million Muslims—an ideal hiding place for anyone intent on being overlooked," Rohter claims.

Should Sao Paulo fear an invasion of the hemispheric military force that U.S. Defense Secretary Donald Rumsfeld wants to set up, which also targets the slums of Rio de Janeiro as "ungoverned areas"? Rohter's article cited numerous unnamed intelligence sources charging that the tri-border region is a serious terrorist threat; he noted that it's largely Argentine and

U.S. agents who assert this, while Brazilian and Paraguayan officials are more "ambivalent."

## **WESTERN EUROPEAN NEWS DIGEST**

### **Germany's Schroeder to China To Ride on World's First Commercial Maglev**

German Chancellor Gerhard Schroeder will travel on the maiden trip of the world's first commercial maglev (magnetically levitated train) in Shanghai on Dec. 31, in the company of Chinese Prime Minister Zhu Rongji. The Magnetic Levitation Transportation Development Co. Ltd in Shanghai has confirmed that the trip will definitely take place; it will take seven minutes to travel the 31 kilometers of the maglev line. The joint Chinese-German maglev project is the first of its kind, and will be used for further "business" cooperation internationally, wrote the *People's Daily* Dec. 23. "There is no doubt that German Chancellor Schroeder will not come here alone"; he is leading an economic delegation of 100 people on the Dec. 29-Jan. 1.

The most difficult technical task for building the maglev, has been to make the train "float up" steadily over the rail, *People's Daily* reported. To ensure this worked, the Chinese side specially invited the German maglev (TVE) expert to Shanghai to preside over the experimental work. The train is now approaching being able to travel at its top speed, 430 kph. When the German side examined the maglev, they expressed great satisfaction with the "very good quality of the project."

The Shanghai maglev "will be an important model for other planned high-speed railway lines in China." Chinese Minister of Railways Fu Zhihuan said on Dec. 20 at a press conference that either traditional tracks or maglev methods can be chosen for a planned Beijing-Shanghai high-speed railway. The results of the Shanghai project will be very important in determining that decision, which has yet to be made, he said.

*People's Daily* also, in reporting on the venture, noted that China represents a "ray of hope" for the sluggish Germany economy. Most important is the export of German machines to China. Despite the overall stagnation of global machinery exports during the first nine months in 2002, exports of German machines to China increased 30%, the Federation of German Machine-Building Industry has announced.

German Chancellor Schroeder is using his visit to China to expand German machinery exports to China—including more maglevs. "Exports are going well. The companies have shown that they are entering new markets [in China] and can win market shares and bolster the whole [German] economy, " said Eckhard Wurzel, an leading official of the German branch of the Organization of Economic Cooperation and Development (OECD).

### **German Intelligence: German Troops in Afghanistan Will Become Target of More Attacks**

German Foreign Intelligence is warning that German soldiers in Afghanistan will become the target of increased attacks. The heavy helicopter crash that killed seven German soldiers near their military base at Kabul airport on Dec. 21, underlines the Germans' increasing exposure to casualties. Although the cause of the CH-53 helicopter's crash—metal fatigue, technical failure, or attack—has not been determined, German military commanders in Kabul as well as the foreign intelligence agency, BND, have pointed out in recent days that the pattern of guerrilla attacks and of broader rebel Afghan military attacks is visibly increasing. Moreover, the attacks are becoming more precise, as three recent incidents involving targets of the ISAF (peacekeeping force) in Kabul have illustrated. The BND also warns that in connection with the official change in ISAF command to the Germans and Dutch next February, German troops are expected to become a more prominent target of attacks, and more casualties have to be expected.

Bundeswehr spokesmen have also pointed out that their equipment in Afghanistan is insufficient and outdated, so that the

job of ISAF commanding force cannot really be met. If the government at home keeps the troops badly supplied, it will cost soldiers their lives, they have warned.

### **Vatican Foreign Minister: U.S. Must Respect UN Decisions on War**

Archbishop Jean-Luis Tauran, the Vatican Foreign Minister, recently gave an interview to the Italian newspaper *La Repubblica* in which he said that "a preemptive war is not foreseen in the United Nations charter." "It is important," Tauran said, "that Iraq's responsibilities be able to rule their political action according to the code of behavior imposed by their membership in the UN community. But nothing must be decided independently from the concert of nations and international institutions."

Tauran revealed that "already two months ago, I stressed in Washington the necessity of dialogue," and that it is not the case that "a member of the community can decide: I do this and you help me or otherwise you stay home. If it were so, the whole system of international rules would crash. We would be in a jungle."

On first use of nuclear weapons, Tauran comments: "It would be better not to even echo such an hypothesis, because it seems to me a monstrous one."

Meanwhile, in an article appearing in the Dec. 24 issue of the Italian daily *Corriere della Sera*, Milan Archbishop Dionigi Cardinal Tettamanzi recalled that Christmas teaches a lesson on the real way to peace. Today, he wrote "We cannot avoid feeling the full dissonance of many ways which presently want to be smuggled as ways to peace, even by some who profess to be Christians. Peace born out of threatening skies, skies of preventive wars, cannot be confused with peace born out of an open sky, without threats: a sky of forgiveness."

### **German Churches Also Mobilize Against War Danger**

The lead article in the Dec. 27 *Frankfurter Allgemeine Zeitung* is entitled "The Pope Calls for Preventing War against Iraq." It reports that the Vatican has launched a "peace offensive" which began with the Pope's Christmas message, and is continuing through several initiatives. Curia sources report that Vatican diplomats are being deployed to bring this message—which will include the Pope's Jan. 1 World Peace Day speech.

The Pope had issued a "dramatic appeal" to all cardinals and bishops in the Curia, saying, "The Church does not cease to raise its voice, regarding the conflicts that are drowning so many regions of the world in blood; regarding the no less terrible 'forgotten' wars; and regarding terrorism."

Among the other statements issued by leading clergymen, as de facto part of this peace initiative, are the following: The head of the Council of the Evangelical (Protestant) Churches in Germany, Kock, called for "standing up" against an Iraq war. In "contrast to words of hatred and saber-rattling," he said, the church should spread the word of Christ. Cardinal Lehmann of Mainz said that through the Incarnation, God demonstrated "what human friendliness is." German Curia member Cardinal Kasper said that an aggressive war against Iraq "is not justifiable in any way." Berlin Bishop Huber warned against war; the Hesse-Nassau Church President Steinacker called on Christians "not to give up on the hope for peaceful conflict resolution."

### **French Troops Prevent Rebel Advance on Abidjan**

French troops prevented the rebels advance on Abidjan, as the UN Security Council condemned the resort to arms by the Ivory Coast's rebels. French forces used tank-mounted cannons near the town of Duekoue on Dec. 21 to stop the advance of



rebels moving from Ivory Coast's west toward Abidjan, according to *Associated Press*. The French have been building up their forces in the country to the level of 2,500 troops in recent days, despite the plan for their replacement by peacekeepers of the Economic Community of West African States (ECOWAS). The plan for ECOWAS peacekeepers is going forward, but more slowly than intended.

*AP* states, "With so much at stake for the region if Ivory Coast falls into chaos, the French decided to take up their largest military role in years in their former colonial empire."

The UN Security Council broke its silence on the warfare in Ivory Coast for the first time on Dec. 20, in a condemnation of "attempts to use force to influence the political situation and overthrow the elected government." The Security Council went on to praise the role being played by France.

The Security Council statement welcomed "the commitment by the President of Ivory Coast to submit in the coming days a comprehensive plan to end the crisis."

## **European Stock Markets, Like American, Were Battered in 2002**

Like the American, the European stock market's performance in December, according to U.S. and British news coverage, was the worst December since 1931, at the onset of the Great Depression. Analysts are projecting further losses in 2003. In Britain, the FTSE 100 index is expected to close the year having lost more than 25% of its total value—a loss of 300 billion pounds-sterling. The index is down by almost 50% from its peak on the last trading day of 1999, for a total loss of more than 650 billion pounds. Jeff Walker, publisher of the *Walker Market Letter*, told *Reuters* that anyone who predicts a market comeback in 2003, simply based on the presumption that the market cannot fall for four consecutive years, is crazy. "Last year the market experienced a larger loss than in 2000 and this year's decline was even bigger. At this rate, pessimists might expect the market to melt down to zero in no time at all."

According to *Reuters*, the Standard & Poors 500 index lost more than 10% in 2000, 13% in 2001, and will post a 2002 loss greater than 20%, perhaps surpassing the 29.7% fall of 1974. The last time the S&P 500 posted three consecutive years of double-digit losses was 1930-32. And, to quote *Reuters*, "The Nasdaq index has been a basket case for the last three years, crashing more than 20% each year. In 2002, the tech-laced index plummeted nearly 30%."

## **MIDEAST NEWS DIGEST**

### **Egypt: 'Israel is Fuelling the Cycle of Violence'**

"Israel is fueling the cycle of violence" with its assassinations policy, said Egyptian Foreign Minister Ahmed Maher, following his conversation with Palestinian Authority President Yasser Arafat on Dec. 27. One day earlier, Israeli military forces carried out assassinations of eight Palestinian "militants," stalking the individuals, and killing them using hit teams.

Maher said that this Israeli move was deliberately coming "at a time when the Palestinians are trying, with Egypt's help, to reach an agreement for a calming down." Cairo has been hosting talks to try to reach a ceasefire, involving Arafat's Fatah movement and the Islamist organization Hamas, which has carried out suicide bombings. Each time the talks have made any progress, Sharon's government in Israel has carried out an assassination atrocity—leading, predictably, to revenge terrorism.

Palestinian Information Minister Yasser Abbed Rabbo directly linked the Sharon/Mofaz assassination campaign to the Jan. 28 Israeli elections, as being an attempt to "serve [Sharon's] electoral aims." Rabbo said that the "crimes of Sharon are

intended to inflame the region and distract attention away from the scandals which are rocking Likud" (Sharon's party).

### **Mitzna Says Likud Is 'Infiltrated by Organized Crime'**

Israeli Prime Minister candidate and Labor Party chairman Amram Mitzna said the Likud Party's candidate list was "infiltrated by organized crime," and warned, "Soon we will have a Knesset (Parliament) or perhaps a government controlled by organized crime." The Likud is the rightwing party of incumbent Israeli Prime Minister Ariel Sharon.

Mitzna also attacked the war hysteria as a diversion from necessary discussion of the fact that Israeli society is crumbling.

Meanwhile, Labor Party strategist and member of the Knesset Avraham Burg, asked Sharon to expel from the Likud Party candidates' list for the Jan. 28, 2003 Knesset elections, anyone involved in corruption, "whether he is from organized crime, the extreme right-wing, a family member, or among those closest to the Prime Minister. Will the Prime Minister also expel members of his family from the [Likud] list?"

Burg added that, according to recent reports, the one who "initiated the corruption that led to even members of organized crime creeping into the Likud, is one of Sharon's closest associates." The Israeli paper *Ha'aretz* said this was a reference to Sharon's son Omri.

### **The Slime Factor in the Likud Party**

After a week of reports of a widening investigation into ongoing Likud vote-buying and organized crime scandals, on Dec. 27, *Ha'aretz* ran an editorial, "Tentacles in the Corridors of Power," which began, "The longer the investigation into allegations of corruption in the Likud continues, the more details are revealed about apparent connections between senior members of the party and criminal elements." The editorial cited Police Commissioner Shlomo Aharonishky, who expressed "grave concern" at the mounting evidence of a criminal move to control the Likud. "Particularly worrisome," the editorial continued, "are the suspicions about relationships between senior officials in the Likud and criminal elements." The editorial singled out top Sharon ally and Communications Minister Reuven Rivlin, and top officials of the Environment Ministry, for selling appointments.

*Ha'aretz* also slammed Sharon for failing to reassure the party or the general public that he intends to do anything about criminal penetration of the Likud.

In updated news developments on the scandal, reported in *Ha'aretz* and the *Jerusalem Post*:

\*Police extended their probe to Knesset member Haim Katz, who is accused of illegally using funds from the Israeli Aircrafts Industry Union, which he heads, to buy votes in the Likud primary. Katz may have colluded with Shlomi Oz, a convicted felon and Likud activist, to fake registrations of perhaps thousands of new party members just before the primaries. Oz is a "former" member of the organized-crime gang headed by Moshe Mussa Alperon, which specialized in strong-arm debt collections. Oz is also under investigation for the theft of NIS 4.5 million in 2000, along with several notorious Israeli loan sharks, Benny Ravizada and Meir Chason, as well as Likud central committee member Benny Tabin and ex-con Roni Sasson.

\*Likud Deputy Director-General Rafi Bar Chen was interrogated by Israeli National Police on the role of the party itself in fixing the election for Sharon allies.

\*Moshe Mussa Alperon (cited above), at a press conference in Tel Aviv, announced his resignation from the Likud, in

protest over allegations that he is still involved in criminal activities. He was a central committee member. He called on Shlomi Oz to also resign.

\*Israel's Fraud Squad is also expected to interrogate Deputy Infrastructure Minister Naomi Blumenthal, for paying for hotel rooms and other bribes the night before the Likud primaries. Her chauffeur, Adi Oski, was arrested on suspicion that he had helped pay the hotel room bills and other bribes. At a bail hearing for accused Likud vote-buying figure Michael Elnakaveh, Superintendent Danny Kachalon of the National Fraud Investigation Unit told the court that Blumenthal's refusal to cooperate constituted interference in the investigation. Blumenthal's driver Oski is believed by police to have been given NIS 12,000 by Elnakaveh to pay for the hotel rooms. The next day, Blumenthal won the seventh spot on the Likud Knesset slate.

\*The Fraud Squad also announced plans to interrogate Sharon's son Omri, who is at the center of the vote-buying scandal, and has been publicly linked to organized-crime figure Shlomi Oz.

\*Police suspect that Likud central committee member Michael Elnakaveh, who is currently under arrest, received money from several candidates which paid for rooms at a five-star hotel, where an alleged "election rally" took place. The police suspect that the payments most likely came from financial backers of the candidates.

\*Two aides to President Moshe Katzov are suspected of possible involvement in the scandal: Svilka Brukner, who is responsible for public complaints, and the President's driver, Moshe Gabal. They are suspected of helping Inbal Gavrielli, the former waitress who made it onto the Likud candidates' list after being in the party for only one month. The Gavrielli family is suspected of involvement in illegal gambling and other criminal activity.

\*Israel's Fraud Squad has also arrested two alleged "vote contractors" named by an outgoing Knesset Member, Nehama Ronen. Ronen told police that "voting contractors" offered her votes at the Dec. 8 Likud Central Committee convention, in exchange for money. On Dec. 23, police questioned Eitan Sulami, the head of Sharon's election staff.

\**Ha'aretz* reported that Israeli police are now looking into the transfer of 4.5 million shekels from accounts in Bank Leumi to Likud activists Shlomi Oz, Benny Ravizada, Meir Hason, Benny Tavin and Roni Sasson. All the suspects are expected to be summoned to appear for police interrogation soon. Reportedly, Sasson laundered the funds through Mizrahi Bank before shipping them to other accounts, presumably to pay off voters to cast their ballots in the Likud primaries for designated candidates.

### **Feiglin and Mofaz Purged from Likud Ballot**

Two anti-Arab fanatics, Moshe Feiglin, head of the ultra-provocateur "Zu Artzeinu" movement, and Gen. Shaul Mofaz, Sharon's Defense Minister, were stricken from the Likud's list of candidates for the Jan. 28 elections. Both were accused of breaking eligibility rules.

Israel's Central Elections Committee ruled Dec. 24 in favor of the appeal by Meretz Party Member of Knesset (Parliament) Naomi Hazan and attorney Yaacov Shtotland, that Feiglin was automatically ineligible for the Knesset because he was convicted of a crime within the past seven years. Feiglin spent a year in jail after a 1997 sentence for sedition.

A 42-year-old Australian emigré, Feiglin is the self-anointed head of a Likud Party splinter, linked to the banned terrorist group Kahane Chai (founded by Jewish Defense League terrorist Meir Kahane). In 1995, Feiglin was in the middle of propaganda operations that set up the assassination of Yitzhak Rabin. Feiglin ran Zo Artzeinu (This Is Our Country) with Rabbi Benny Alon, head of the radical, racist Moledet Party, which considered Palestinians a "disease" to be eliminated.



Alon, who is close to the U.S.-based Christian Zionists linked to the Moonie cult, has also just been implicated by court testimony in foreknowledge of the assassination threat against Rabin.

On Dec. 25, National Elections Committee Chairman Mishael Cheshin also disqualified Gen. Mofaz, ruling that by Election Day, on Jan. 28, Mofaz, who was until early July Israel Defense Force Chief of Staff, will not have completed the "cooling off" period required of senior IDF officers seeking a Knesset seat.

The challenge to Mofaz's candidacy on the Likud list was made by the Labor Party. Sharon claims that he will keep Mofaz on as Defense Minister in the next Likud government.

### **Israel's Price for 'Restraint' on Iraq Is Lebanon**

Israeli Defense Minister Shaul Mofaz is a key ally of the U.S. faction that wants a war with Iraq, and is actively contributing to the hysteria being built up in Israel about the war. Mofaz told the Israeli population that Israel "must brace for any development ... [because] if and when the United States decides to attack, there will be risks for Israel."

But, amid this war hysteria, Mofaz admits that the U.S. will not go to war with Iraq until after UN efforts fail. Mofaz reportedly told the Israeli Cabinet last week that he had the impression that the U.S. will first exhaust the process of international weapons inspections of Iraq before embarking on military steps. Mofaz had just returned from Washington, where he met with Secretary of State Colin Powell, Secretary of Defense Donald Rumsfeld and National Security Adviser Condoleezza Rice. At the meetings, the U.S. made clear that Israel should not join the attack. Hardliner Mofaz bristled and insisted Israel has the right to self-defense.

According to *Ha'aretz* commentator Amir Oren, Mofaz and Sharon's other generals demand a price for restraint in dealing with Iraq—they want a free hand in Lebanon. Oren writes, "But the condition for such restraint is liable to be a corresponding decision that will satisfy the hawks, who included ... and Air Force Commander in Chief Major General Dan Halutz. It could be a decision to exploit the opportunity.... America's payment for Israeli restraint in Iraq will apparently be its consent to the use of the Israeli Air Force—and perhaps also other branches of the IDF—in Lebanon."

### **Turkey Saying No to Iraq War—Again**

Recep Tayyip Erdogan, the head of the ruling party of Turkey, has rejected unilateral military action against Iraq, reported *BBC online* on Dec. 27. Erdogan said, "Both we and the government say that Turkey will *not* finalize its position until the UN Security Council's decision.... The report by the UN weapons inspectors has not been submitted yet.... Until [it is submitted], I believe what is said now is no more than gossip and mere prediction."

The statement came out *while* Assistant U.S. Secretary of State Mark Grossman and Assistant Secretary of Treasury (outgoing) John Taylor were in Ankara, discussing financial matters with the Turkish government. Grossman had accompanied the Defense Department's pro-Sharon chickenhawk, Paul Wolfowitz, to earlier meetings in Turkey, where Wolfowitz was attempting to secure Turkey's support for an attack on Iraq.

But Turkey is still reluctant. On Dec. 21, the *New York Times* reported on the dilemma facing Turkey should the U.S. decide to attack Iraq. The U.S. is insistent that Turkey provide basing and transit rights for up to 90,000 U.S. troops to stage operations into Northern Iraq. Turkish officials fear that a war would be economically devastating and, because 83% of the Turkish population oppose a war, also politically disastrous. "We will be seen in the Muslim world as a country that is killing other Muslims," said one official.

At the same time, Turkey does not want to risk its relationship with the United States. "Everything is happening out of our control," Turkish Prime Minister Abdullah Gul told the *Times* in an interview.

## **Chickenhawks' Bluff on Iraq Called**

On Dec. 27, the Iraqi government announced on that it would let Iraqi scientists leave the country to be interviewed by UN weapons inspectors, if they so wished. Since UN Resolution 1441 passed, the rabid warhawks in the Bush Administration and their neo-conservative allies in the U.S. media and think tanks, have tried to make the "scientists" issue the line in the sand, that could get a war going. The neo-cons were wrong.

General Hussam Mohammed Amin, the chief Iraqi liaison to the UN team, said at a press conference that it would be up to the individual scientists, but he also stressed that leaving the country is not necessary. "I'm one of them," Amin said. "I can answer you on my case only: I will not go." Asked why, Amin said, "Because I don't like to leave my country. If there is an important question to be addressed to me, let them address it to me here in Iraq."

At least one technical specialist, Sabbah Abdel Nour, a member of the staff at Baghdad Technology University, refused to be interviewed by the UN inspectors without an Iraqi government official present. Amin approved of Abdel Nour's handling of the matter, saying that having a tape recorder present was not enough, "because it can be manufactured or can be changed. But if there is a human being in the role of witness, this will keep the rights" of the scientists.

## **Top Iraqi Scientists Refused U.S. Bribes To Defect**

Last May, when an Iraqi delegation travelled to the UN, in New York, for meetings to discuss the return of weapons inspectors to Iraq, one member of the delegation, Jaffar Dhia Jaffar arrived a day late. Iraqi Foreign Minister Naji Sabri said that Jaffar, regarded as the father of Iraq's nuclear program, had been held up at the American embassy in Jordan, where the Iraqis must go to get visas to travel to the United States, and had been "singled out for interrogation" by U.S. officials.

Iraqi diplomats later told UN officials that Jaffar and other Iraqis had been offered cash by the United States, in an unsuccessful attempt to get them to defect. When Jaffar finally arrived in New York, he was reportedly livid, complaining that his luggage was missing, and that he was still wearing the same suit he had on when he left Baghdad. According to one UN official, "He said the [U.S. intelligence] agencies are probably going through every single piece of clothing" in his bags. From there, Jaffar went into a tirade, accusing the UN of falsifying reports on Iraq's efforts to dismantle its nuclear weapons.

After that incident, the Iraqis successfully prevailed on UN Secretary General Kofi Annan to have further such meetings held in Geneva, Switzerland.

According to the *Washington Post*, the United States also tried to get two other Iraqi officials to defect, including Gen. Amir Saadi, a top adviser to Saddam Hussein, and Mehdi Labidi, a mid-level technical expert. The London-based Arabic newspaper *Asharq al-Awsat* reported that, according to Iraqi sources, U.S. intelligence agents had been repeatedly calling Iraqi officials at their hotels in New York, offering them cash in suitcases if they would defect.

## **Asia News Digest**

## **Bush Invites South Korean President-Elect Roh to Washington**

South Korean President-elect Roh Moo-hyun on Dec. 20 accepted a request from a worried President Bush to visit Washington after Roh's Feb. 25 inauguration, Roh's spokesman said, to discuss bilateral relations and North Korea's nuclear program. "President-elect Roh and President Bush agreed to work closely for peace on the Korean peninsula and strengthen the South Korea-U.S. alliance," he said, after Bush phoned Roh on Dec. 20 to congratulate him on his election. "President Bush asked President-elect Roh to visit the United States as soon as possible after the President-elect takes office, and the President-elect accepted this invitation."

Bush, according to the Korean press, is very concerned about the tarnished U.S. image in Seoul, and was very warm in his invitation to Roh. Roh has previously signed petitions calling for withdrawal of U.S. troops from Korea, unprecedented for any South Korean President. Roh had also repeatedly said that if elected, he would not immediately run to Washington just for a "photo op." He was disdaining the traditional habit of new Japanese and South Korean heads of state, of running to Washington after inauguration to pay tribute.

For the fourth weekend in a row, candlelight vigils were held in 27 cities across South Korea on Dec. 21, to protest the acquittals of two U.S. soldiers whose armored vehicle accidentally killed two teenage girls in June. About 3,000 people gathered in downtown Seoul and marched toward the U.S. embassy to demand a retrial of the soldiers, and a revision of the Status of Forces Agreement (SOFA) to give more jurisdiction to South Korean authorities dealing with the crimes of U.S. soldiers.

### **U.S. Senators Denounce Utopian Military Strikes Against North Korea**

Any U.S. military action against North Korea would be "very inadvisable," said Sen. Richard Lugar (R-Ind), incoming chairman of the Senate Foreign Relations Committee, in an appearance on NBC television's "Today" show on Dec. 26. Rebuffing the hysteria in the press and from Dick Cheney's "Chickenhawks" concerning North Korea's move to restart its nuclear facilities, after the U.S. and its allies had halted oil shipments, Lugar said that were the U.S. to take military action, Pyongyang most likely would retaliate against South Korea in a "devastating" confrontation. Instead, said Lugar, "our strategy now has to be one of multilateral engagement" with other nations, such as Japan, China, and Russia, as well as cementing ties with South Korea.

The North Korean government "is under great pressure economically" with a starving population, noted Lugar, and could be trying to "get the attention of the United States and the rest of the world, to get them money, to get them assistance."

Senator Joseph Biden (D-Del), who will be the ranking Democrat on the Foreign Affairs panel when Congress reconvenes Jan. 6, also urged a diplomatic response rather than war. The strongest proposal came from Sen. Diane Feinstein (D-Calif.) who criticized the Bush Administration for refusing to directly talk to North Korea, implying that this is one of the reasons for the current crisis. "There is no reason why we can't" have discussions, said Feinstein.

### **Historic Thailand/Malaysia Cabinet Meetings Held on Border**

Prime Ministers Dr. Mahathir bin Mohamad (Malaysia) and Thaksin Shinawatra (Thailand), with the Thai and Malaysian Cabinets, met on regional development.

The historic meetings—one on each side of the Thai/Malay border—focussed on security, necessary for the success of the major multinational infrastructure projects between the two nations and other neighbors. The plan for a gas pipeline from Malaysian gas fields in the South China Sea, to come ashore in Songkhla, Thailand, is near the implementation phase. The two sides recognize that such development projects are necessary to raise the standard of living in the region, and to eventually end the threat of terrorism.

The first-ever meeting of the full Cabinets and the Prime Ministers of the two nations was so successful, that it will be followed by Thai meetings with Laos, Myanmar, and Cambodia, while Malaysia is moving to improve relations with Indonesia. The agreements on security, energy distribution, joint production projects, and new border checkpoints were capped by Thai Prime Minister Thaksin Shinawatra's pledge to Dr. Mahathir that the billion-dollar pipeline project, held up for a year by protests, including a riot outside the hotel where the countries were meeting, will be completed as planned. The gas fields in Malaysia's area of the South China Sea, and almost the entire 366-km pipeline, are completed, but the connection to the shore in Songkhla has been held up.

However, violent demonstrations were held by the NGOs opposed to the pipeline, outside the hotel where the Thai/Malaysian meeting took place, which resulted in 38 protesters and 15 police injured (none seriously), and the arrest of 12 NGO leaders. Thaksin has drawn the line on the use of violent protests to sabotage the development in the name of the "local villagers' way of life," pointing to the control by the Bangkok or foreign-run NGOs. "I will look unfavorably upon any protests organized by these NGOs," Thaksin said. "These people have no credibility because they resort to violence."

Meanwhile, Malaysian Defense Minister Najib Tun Razak, attending a Malaysia/Indonesia Border Committee Meeting following a World Court decision granting Malaysian sovereignty to two disputed islands, said that the mutual acceptance of the ruling paves the way for closer relations between the two countries that can go beyond racial ties, to mutual interests generally.

### **Malaysia Cited as Model for Israeli/Palestinian Harmony**

Visiting Israeli journalist Israel Shamir suggested Malaysia as a model for promoting harmony between the Israelis and Palestinians, in a speech to the Consumers Association of Penang, Malaysia on Dec. 20. He said Malaysia was an inspirational example, where Malays, Chinese, Indians, and others live happily together despite cultural differences.

Likewise, he said, Arabs and Jews should live together under one state, each having equal rights, including one man, one vote. There should only be one state, not a Jewish state or a Palestinian state. We should avoid what he called an imperialist tendency to divide a country, such as in Cyprus, or India and Pakistan.

Shamir, who is on a week-long visit to Penang, had worked with Israeli radio as a freelancer, and later in the Knesset (Parliament) as the spokesman for the Israeli Socialist Party. Born in Siberia, he moved to Israel in 1969, and had served as a paratrooper in the Israeli Army during the 1973 Israel-Arab war.

Shamir said that he began opposing Zionism and the Israeli government's oppression of the Palestinians, after he had met with Palestinian refugees. "I was sympathetic to Palestinians even before the war, and over time took up the Palestinian cause," he said. He said that hostile Israelis were widening the gap between Jews and non-Jews. He also said Dr. Mahathir bin Mohamad was correct in taking a vocal stand in supporting the Palestinian cause, and commended Mahathir for proposing the gold dinar as the currency to be used for international trade, saying it was a good way to break the dependence on the U.S. currency.

President of the Consumers Association S.M. Mohd Idris said that Shamir's visit was the first time an Israeli visiting Malaysia had ever voiced a stand against Israeli policies. Shamir had met Dr. Mahathir in April, and had conveyed his views on the Palestinian issue.

### **Demand Removal of References to Terrorism in Malaysia**

Malaysian Prime Minister Dr. Mahathir bin Mohamad told a press conference Dec. 20 that his government has demanded

that the UN expunge from its report on terrorism in Southeast Asia, material claiming the Malaysian government was linked to al-Qaeda through members of the ruling political coalition, the Barisan Nasional (BN).

The UN report included material from "Inside al-Qaeda: Global Network of Terror," by analyst Rohan Gunaratna. A chart in the book depicts the BN, the opposition Pas Party, and the Muslim Youth Movement of Malaysia (ABIM), as local groups having ideological and political links to the Moro Islamic Liberation Front in the Philippines, which in turn was linked directly to the al-Qaeda. The UN has rejected the allegations, said Mahathir, but the UN monitoring groups' report to the Security Council still carries the allegations.

On a second issue, Dr. Mahathir told the press conference that the Supreme Council of Malaysia rejects Australian Prime Minister John Howard's support for preemptive strikes.

Dr. Mahathir said: "We reject the idea, and view the proposal very seriously, because if the UN agrees with the proposal to amend the international law to accommodate this proposal, then nations will lose their independence and freedom. This will provide ample room for superpower nations to violate the freedom of others at ease." Dr. Mahathir said his government would discuss submitting a protest note on the issue.

### **13 Die in Maguindanao Bomb Attack**

A bomb planted in a residential compound killed 13 people, including a prominent Muslim Mayor in the Philippines' Maguindanao Province on Dec. 24. Datu Piang Mayor Saudie Ampatuan was one of 13 killed when a homemade bomb exploded during a party he was hosting in his compound, military spokesperson Julierto Ando said.

Town Councillor Rodolfo Wahab and 11 others were also killed, many of them succumbing to injuries in the hospital, according to the *Philippines Inquirer*. Another dozen people were injured, many seriously.

Police said the bomb featured a timing device and two mortar shells, a hallmark of explosive devices constructed by the MILF.

The Muslim rebel group forged a ceasefire with the government last year to pave the way for peace talks. Sporadic clashes with the government continue despite a truce.

### **Iran-Pakistan Talks Discuss Project of Overland Gas Pipeline**

The project of an overland gas pipeline from Iran to India via Pakistan, was discussed in recent Iran-Pakistan talks. An Iranian delegation headed by President Mohamad Khatami arrived in Islamabad on Dec. 23 for three days of talks, will also included perspectives for joint infrastructure projects, and top security issues like the Afghan and Iraqi situations.

The Iranian side, according to *IRNA*, brought up the proposal to build an overland pipeline across Pakistan, to supply Iranian natural gas to India (and Pakistan). What is interesting is that the Iranians portray the project as helping to promote peace between India and Pakistan through the promotion of economic cooperation. The cost of building the pipeline would be \$4 billion, and an agreement to carry out an expert feasibility study was signed between Islamabad and Teheran a year ago. Khatami was accompanied by the Iranian ministers of defense, foreign affairs, and transportation.

Khatami appealed to Pakistan and India to resume parleys to settle the longstanding issue of Kashmir. At the same time, he told the audience that he is "optimistic that Kashmiris will succeed in liberating their territory according to their wishes." Since Khatami will be in Delhi as the chief guest on India's Republic Day on Jan. 26, New Delhi will no doubt take note of



his statement, particularly where he talks of liberation of Kashmiri people according to their wishes.

While addressing the Kashmir issue, Khatami identified that the project for transporting Iranian natural gas to India through Pakistan could be the basis of stability in the region. At the banquet hosted by Pakistani President Pervez Musharraf, President Khatami said: "We have good relations with both countries, and can play an important role in defusing tension between the two. We have made efforts in the past to iron out the differences between the two neighbors."

In an exclusive interview with *IRNA*, Musharraf said that real economic exchange between Iran and Pakistan still lags far behind the potential, and that he fully supports the proposal for a gas pipeline from Iran to India, across Pakistani territory, adding that it would be to the benefit of all three countries. He said it would be beneficial especially for India, which is pushing for industrialization on a larger scale, and presently is importing liquefied gas.

Coinciding with the visit, Iran and Pakistan have announced the holding of joint military exercises to "beef up the bilateral military cooperation."

### **Warlord Hekmatyar Announces Opposition to Karzai**

Former CIA asset and the leader of the Hezb-e-Islami mujahideen group, Afghan warlord Gulbuddin Hekmatyar has announced that he will work with the Taliban and al-Qaeda remnants to overthrow the U.S.-backed government of Hamid Karzai in Afghanistan. Leaflets written in Pashto were distributed along the Pakistan-Afghanistan borders by Hekmatyar's people and people suspected of being al-Qaeda and Taliban residing along the borders. "Hezb-e-Islami will fight our jihad until foreign troops are gone from Afghanistan and Afghans have set up an Islamic government," Hekmatyar said in the message.

*AP* reports European intelligence sources saying that Hekmatyar's operatives have purchased vehicles that may be used for bomb attacks to try to destabilize the Karzai government. The news indicates that the Hekmatyar people are very much inside Kabul, the city where Karzai's writ runs. *AP* quotes Afghan and Pakistani sources reporting that suicide squads are now getting trained in neighboring Pakistan, in the Bajour region, bordering the Afghan province of Kunar.

International forces in Kabul and elsewhere in Afghanistan have come under increasing fire in recent days. In Kabul, two U.S. special forces soldiers were wounded when a grenade was hurled at their vehicles. Two Afghans died in Kabul when grenades were thrown at a base of the international peacekeepers.

## **This Week in History**

### **December 30, 1862-January 5, 1863**

January 1, 2003 is the 140th anniversary of Abraham Lincoln's Emancipation Proclamation, which was issued in September 1862, and went into effect on Jan. 1, 1863.

Lincoln's freeing of the slaves, taken as a war emergency measure, as none other than Congressman John Quincy Adams had argued might become necessary, flowed from his own conviction that slavery was the cause of the Civil War, and that its abolition was both morally and strategically right. His intention was to free the slaves earlier, but he was forced by his Cabinet to delay the proclamation until after he could announce a victory in the war. As soon as the battle of Antietam, which the Union claimed as a victory, was finished, Lincoln rushed to complete his draft.

The proclamation of Sept. 22, 1862 stated:

"That on the first day of January, in the year of our Lord one thousand eight hundred and sixty-three, all persons held as slaves within any State, or designated part of a State, the people whereof shall then be in rebellion against the United States, shall be then, thenceforward, and forever free: and the Executive Government of the United States, including the military and naval authority thereof, will recognize and maintain the freedom of such persons, and will do no act or acts to repress such persons, or any of them, in any efforts they may make for their actual freedom...."

The Jan. 1, 1863 proclamation repeated the above section, and went on to say:

"... By virtue of the power and for the purpose aforesaid, I do order and declare that all persons held as slaves within, said designated States and parts of States are, and henceforth shall be, free; and that the Executive Government of the United States, including the military and naval authorities thereof, shall recognize and maintain the freedom of said persons.

"And I hereby enjoin upon the people so declared to be free to abstain from all violence, unless in necessary self-defense; and I recommend to them that, in all cases where allowed, they labor faithfully for reasonable wages.

"And I further declare and make known that such persons of suitable condition will be received into the armed service of the United States to garrison forts, positions, stations, and other places, and to man vessels of all sorts in said service.

"And upon this act, sincerely believed to be an act of justice, warranted by the Constitution upon military necessity, I invoke the considerate judgment of mankind and the gracious favor of Almighty God....

"In witness whereof, I have hereunto set my hand and caused the seal of the United States to be affixed.

*"Done at the city of Washington, the first day of January in the year of our Lord one thousand eight hundred and sixty-three, and of the independence of the United States of America the eighty-seventh.*

"By the President: Abraham Lincoln

"William H. Seward, Secretary of State."

Postscript:

There has been a considerable attack on President Lincoln's action to free the slaves, particularly from those who claim that he was insufficiently committed to racial equality, and was only maneuvering strategically to preserve the Union. Others have simply argued that the emancipation did not actually succeed in improving the conditions of former slaves, to real freedom.

There are two problems with the first argument. First, there is ample evidence that Lincoln hated slavery as a moral evil, from early in his political career. At the time of the Lincoln-Douglas debates, he stated that he believed all men to be created equal, blacks as well as whites, in respect to the rights to "life, liberty and the pursuit of Happiness," as outlined in the Declaration of Independence. Second, it is a fact that the only basis upon which freedom for all Americans could be secured, was with the preservation of the national Union.

As to the second argument, about the incompleteness of emancipation, that cannot be blamed upon Abraham Lincoln, or

his intentions. The vision which President Lincoln had for the industrialization of the South, following the winning of the Civil War, had the potential for unifying the nation in prosperity—rather than keeping the South a bastion of rural poverty. After Lincoln's assassination, a different policy prevailed, and ultimately the very opposite, in terms of the denial of rights, both political and economic, to the former slaves.

Ultimately, the argument for emancipating the slaves relies on the concept that every human being, regardless of race, is created in the image of God. That concept, as crucial as it is to Judeo-Christian culture, and the United States' foundations, has still not been put into practice as a day-to-day reality.

To that extent, we do well to celebrate the Emancipation Proclamation—with a view to extending its underlying principle, that of the Declaration of Independence, to all mankind.

## In Depth Coverage

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

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### Feature I:

#### National Economy:

#### Germany and the Lautenbach Plan: Can We Learn from History?

by Helga Zepp-LaRouche

"What I want to discuss with you today, is the question of what it takes to be a leadership of Europe today. Because it's very clear, that if we just leave it to the 'powers that be,' to the governments in place, then we all are in bad shape, because either these governments created the mess in which we are, or they didn't prevent it.

#### The Startling American Revolution Of Henry Clay and Mathew Carey

by Anton Chaitkin

Deadly crisis gripped the country—the economy a disaster from cheap imports—terrorist attacks within and outside America's borders. But the political party of the common people, misled and drifting, proposed no remedy, no government action. Their wealthy opponents, the party hostile to popular rights, treasonously adhered to a foreign country (which had occupied and enslaved its neighbor)...

### Feature II:

#### Masaccio's Trinity Ushers in The Golden Renaissance

by Bonnie James

This week we celebrate both Christmas, and the birth of the Renaissance genius Masaccio. Tommaso Cassai, better known as Masaccio (a nickname, meaning roughly, 'big Tom') was born on Dec. 21, 1401, in San Giovanni Valdarno, a small Tuscan town, not far from Florence, at the dawn of the 15th Century Golden Renaissance, in whose birth, he played no small part.

### Economics:

#### Interview: Hal Cooper



## Build Eurasian Railroads To Fuel Economic Progress

Dr. Hal Cooper, of Cooper Consulting Company, is a transportation expert from Seattle, Washington. He was interviewed on Dec. 12 by Marcia Merry Baker.

## Airlines All Descending Into the Maelstrom?

by Anita Gallagher

The great American methodological thinker Edgar Allan Poe might have written his famous short story as fictional advice for America's airline industry, which is making its own 'Descent Into the Maelstrom' to certain destruction, so long as it holds fast to the 'ring-bolt' of deregulation and shareholder value.

## German Economy's Chance That Won't Come Again

by Rainer Apel

Like the German economy in general, the national government in Berlin looks like a fortress being so heavily pounded from all sides, that it seems only a question of time until it falls.

## Great Water Project Will Change the Face of China

by Mary Burdman

China will soon begin constructing its massive 'Move South Water North' project, Vice Minister of Water Resources Zhang Jiyao announced at a Beijing press conference Nov. 25.

## **National:**

## Studies Show Violent Videos Damage Brain

by Don Phau

Recently released medical studies indicate that violent video games damage the brain, possibly permanently. Video games may be more dangerous to your health than cigarettes or alcohol.

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