

Electronic Intelligence Weekly

Online Almanac

*From Volume 1, Issue Number 40 of **Electronic Intelligence Weekly**, Published Dec. 9, 2002*

[return to home page](#)

THIS WEEK YOU NEED TO KNOW

LaRouche Tells Californians: Time For a Super-TVA

Democratic Presidential pre-candidate Lyndon LaRouche delivered the following address by videotape to a town meeting in the Los Angeles area on Dec. 7.

The United States is gripped presently, by the ongoing, accelerating economic collapse, of a failed international monetary-financial system, and the bankruptcy, in fact, of many U.S. Federal states. The Federal government, if it were a Federal state, would be bankrupt. Because the Federal government has a credit-creating capacity, it is *not* bankrupt, but if it did not have a credit-creating capacity, it would be bankrupt.

The U.S. economy, overall, under present financial conditions, is hopelessly bankrupt—our banking system, the Federal Reserve System. And also, a similar situation exists in Western Europe and Japan.

Therefore, we have to face this now. People don't wish to face it. They wish to assume that there is some "fix it"—there's some piece of legislation, some arrangement, some tax cut, some revenue-expenditure cut, or something, which is going to "fix it"; or, maybe an increase in taxes. None of these things will work, because the system is inherently bankrupt.

Now, that doesn't mean the *economy* is necessarily bankrupt. With proper programs, we could rebuild the economy, as Franklin Roosevelt led in rebuilding the economy after the disaster of Mellon, Coolidge, and Hoover. We could do it again. But in order to make those economic improvements, in order to start that growth, we would first have to change laws. We would have to change most of the laws which were "reforms" in our monetary and economic system, over the past period, since about 1964, since the beginning of the Indo-China War, and especially since about 1971-72, when Nixon destroyed, arbitrarily, the pre-existing international monetary system, and put in an irresponsible floating-exchange-rate system.

So, look at the situation for just a moment. I give you these three charts [\[Figures 1-3\]](#).

First of all, is the standard pedagogical [Triple Curve chart](#), which depicts, on the one hand, the general trend of the growth of financial and monetary aggregates—that's the upward curves—relative to a decline in actual physical output per capita, which is the lower of the three curves.

Now you find the [second curve](#), which is also pedagogical, rather than illustrating the actual data. It shows that there came along, about 1999, 1998, a change, which became obvious a couple of years ago: that the system had passed a crossover point. That is, that the rate of monetary input required to keep financial markets from collapsing, was greater than the amount of financial assets maintained.

Now this situation was faced in [Germany in 1923](#). And at that time, when the German government attempted to do what Alan Greenspan, the Federal Reserve chairman, has just professed he would do—that is, increase the credit, increase the

printing-press effect in the U.S. economy—he is proposing to start, or set off, a Weimar-type of hyperinflation, which would sink and destroy everything. So that insanity, that he's proposed, has to be rejected.

Put the System into Bankruptcy

And the problem on the political level is this: What we have to do is, we have to put the financial and monetary system, which is choking us, into bankruptcy. This is not only the U.S. financial and monetary system, but the international monetary and financial system. This means that the governments—the U.S. government and other governments that are relevant—must take the IMF, our Federal Reserve System, the central banking systems of Europe, and so forth, and put them into bankruptcy reorganization, as, shall we say, Chapter 11 bankruptcy reorganization. And under those conditions, we must launch credit for large-scale projects, such as basic economic infrastructure, things like that, and rebuild the economy, with influxes of public credit into basic economic infrastructure, and also into promotion of certain areas of high-tech, agro-industrial production.

In other words, we have to put people to work—not cut employment—put people to work in increased numbers, and in *fruitful* work. And this will get the economy growing, as it did under Franklin Roosevelt, who led us out of the last depression.

A Problem of Leadership

However, at this point, we see that the political parties in the United States, or the present leadership of these parties, is absolutely incapable of any competent action, in this direction, at this time. We have a similar problem in most of Europe. The unwillingness of the political systems to face the reality of the crisis, who are unwilling to challenge the power of the monetary and financial authorities, use state government authority—that is a problem. That is why we saw such a disgusting performance by both the Republican and Democratic Parties, in the recent U.S. mid-term elections. There was actually no real leadership shown from the parties. Fortunately, there were some responsible people inside the institutions of the Presidency, and around the institutions of the Presidency, who did intervene, to prevent us from being plunged into an Iraq war at that time. That was good. But the parties did nothing effectively, to prevent that war from occurring. Even though the mood of the American people, would support efforts to prevent that war.

We see all around the world, similar problems, especially in Europe and in the Americas. The unwillingness of political parties to take responsibility for this type of crisis, is the kind of situation which tends to lead to the emergence of dictatorships. So, this flailing around by the political parties has to stop.

Now, what do we have to do?

The Federal Government Must Back the States

We have two levels on which to operate in our economy, in order to deal with this kind of crisis.

First, on the state level: The Federal states of the United States each have authority and responsibility for the development and maintenance of basic economic infrastructure. That is, the creation of public utilities on the state level, for example; or the granting of powers by the states, to municipalities and others, to create local public utilities. These types of utilities, which were protected and regulated, used to be a safe place for people to put money for their retirement and so forth. No longer, as you know.

All right. But we have to rebuild them. But, we do not have the credit in the banking system, or in sale of stock or anything

else, to do this rebuilding job. We have to therefore go to the credit-creating authority, and regulating authority, of the *Federal* government, to give the backing to the states, which will enable the states to carry out their program, such as rebuilding in California, generating and distribution of electrical power, the improvement of water management, which is an adjunct to the development of electric power. We have a water disaster. We could fix it. We'd better get at it. We have a power crisis. We'd better fix it. We'd better get at it.

These are things which require action on the *state* level, under state authority, and cooperation *among states*, as individual states, but also the protection of the Federal government itself, and the credit-creating authority.

So therefore, what has to happen are two sets of legislation. First of all, as I've proposed, a national infrastructure program, which I've sometimes called a "Super-TVA," to remind people of the TVA development under Franklin Roosevelt. We need that. We need that on the Federal level and the state level. We must save our rail system, we must protect our air-traffic system from collapse—which is now in progress. We must protect our water-management system, keep those in place, and so forth, as well as our energy-generating and distributing systems. And also our health-care systems, and our educational systems, and so forth. These things must be fixed. We're disintegrating as a nation. We can't have this continue.

This means that the Federal government must create legislative authority, with the Executive and the Presidency, and the Congress, to repeal—temporarily at least—all of those changes in law, which were made over the past 35 years, approximately, changes in law which took us away from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy to a free-trade policy; and into massive deregulation. So, all the legislation, which would mandate deregulation, cessation of construction of essential infrastructure, and so forth, these things must be wiped from the books, at least for the duration of the emergency. Under that authority, and by putting the banking system into bankruptcy reorganization—the financial system into bankruptcy reorganization—and using Federal credit to generate growth, as Roosevelt did, then we can come out of this quite well.

A Crossover Point

But the problem now, is, are we willing to push for legislation, for example, in California, for power generation and distributing capability? We have a crisis there. But, it wouldn't work under present law. Because what would happen is, all the funds going into aid this program, would be gobbled up by the banking and financial interests in the environment.

Therefore, you must supply *protection* to the investment in these infrastructure programs. That requires *Federal* intervention, under *Federal* law, to say, "Deregulation, free trade, and so forth are suspended for the duration of the emergency, and we go back to the way we operated, say, between 1946 and 1958, in the initial period of postwar reconstruction, in the United States, Europe, and elsewhere."

That's what needs to be done. We're at a crossover point. We've made a mistake. For the past 35 years, our policy has moved in the wrong direction. We are now suffering the effects of that. We have to correct that error. We have to take emergency action, on the state level, the Federal level. To do that, we must first admit we have a crisis. Stop denying things. And we must admit that we have to suspend those kinds of measures from the past 30-odd years, which have been responsible for leading us into this present economic and monetary and financial crisis.

Put the System into Bankruptcy

And the problem on the political level is this: What we have to do is, we have to put the financial and monetary system, which is choking us, into bankruptcy. This is not only the U.S. financial and monetary system, but the international monetary and financial system. This means that the governments—the U.S. government and other governments that are

relevant—must take the IMF, our Federal Reserve System, the central banking systems of Europe, and so forth, and put them into bankruptcy reorganization, as, shall we say, Chapter 11 bankruptcy reorganization. And under those conditions, we must launch credit for large-scale projects, such as basic economic infrastructure, things like that, and rebuild the economy, with influxes of public credit into basic economic infrastructure, and also into promotion of certain areas of high-tech, agro-industrial production.

In other words, we have to put people to work—not cut employment—put people to work in increased numbers, and in *fruitful* work. And this will get the economy growing, as it did under Franklin Roosevelt, who led us out of the last depression.

A Problem of Leadership

However, at this point, we see that the political parties in the United States, or the present leadership of these parties, is absolutely incapable of any competent action, in this direction, at this time. We have a similar problem in most of Europe. The unwillingness of the political systems to face the reality of the crisis, who are unwilling to challenge the power of the monetary and financial authorities, use state government authority—that is a problem. That is why we saw such a disgusting performance by both the Republican and Democratic Parties, in the recent U.S. mid-term elections. There was actually no real leadership shown from the parties. Fortunately, there were some responsible people inside the institutions of the Presidency, and around the institutions of the Presidency, who did intervene, to prevent us from being plunged into an Iraq war at that time. That was good. But the parties did nothing effectively, to prevent that war from occurring. Even though the mood of the American people, would support efforts to prevent that war.

We see all around the world, similar problems, especially in Europe and in the Americas. The unwillingness of political parties to take responsibility for this type of crisis, is the kind of situation which tends to lead to the emergence of dictatorships. So, this flailing around by the political parties has to stop.

Now, what do we have to do?

The Federal Government Must Back the States

We have two levels on which to operate in our economy, in order to deal with this kind of crisis.

First, on the state level: The Federal states of the United States each have authority and responsibility for the development and maintenance of basic economic infrastructure. That is, the creation of public utilities on the state level, for example; or the granting of powers by the states, to municipalities and others, to create local public utilities. These types of utilities, which were protected and regulated, used to be a safe place for people to put money for their retirement and so forth. No longer, as you know.

All right. But we have to rebuild them. But, we do not have the credit in the banking system, or in sale of stock or anything else, to do this rebuilding job. We have to therefore go to the credit-creating authority, and regulating authority, of the *Federal* government, to give the backing to the states, which will enable the states to carry out their program, such as rebuilding in California, generating and distribution of electrical power, the improvement of water management, which is an adjunct to the development of electric power. We have a water disaster. We could fix it. We'd better get at it. We have a power crisis. We'd better fix it. We'd better get at it.

These are things which require action on the *state* level, under state authority, and cooperation *among states*, as individual states, but also the protection of the Federal government itself, and the credit-creating authority.

So therefore, what has to happen are two sets of legislation. First of all, as I've proposed, a national infrastructure program, which I've sometimes called a "Super-TVA," to remind people of the TVA development under Franklin Roosevelt. We need that. We need that on the Federal level and the state level. We must save our rail system, we must protect our air-traffic system from collapse—which is now in progress. We must protect our water-management system, keep those in place, and so forth, as well as our energy-generating and distributing systems. And also our health-care systems, and our educational systems, and so forth. These things must be fixed. We're disintegrating as a nation. We can't have this continue.

This means that the Federal government must create legislative authority, with the Executive and the Presidency, and the Congress, to repeal—temporarily at least—all of those changes in law, which were made over the past 35 years, approximately, changes in law which took us away from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy to a free-trade policy; and into massive deregulation. So, all the legislation, which would mandate deregulation, cessation of construction of essential infrastructure, and so forth, these things must be wiped from the books, at least for the duration of the emergency. Under that authority, and by putting the banking system into bankruptcy reorganization—the financial system into bankruptcy reorganization—and using Federal credit to generate growth, as Roosevelt did, then we can come out of this quite well.

A Crossover Point

But the problem now, is, are we willing to push for legislation, for example, in California, for power generation and distributing capability? We have a crisis there. But, it wouldn't work under present law. Because what would happen is, all the funds going into aid this program, would be gobbled up by the banking and financial interests in the environment.

Therefore, you must supply *protection* to the investment in these infrastructure programs. That requires *Federal* intervention, under *Federal* law, to say, "Deregulation, free trade, and so forth are suspended for the duration of the emergency, and we go back to the way we operated, say, between 1946 and 1958, in the initial period of postwar reconstruction, in the United States, Europe, and elsewhere."

That's what needs to be done. We're at a crossover point. We've made a mistake. For the past 35 years, our policy has moved in the wrong direction. We are now suffering the effects of that. We have to correct that error. We have to take emergency action, on the state level, the Federal level. To do that, we must first admit we have a crisis. Stop denying things. And we must admit that we have to suspend those kinds of measures from the past 30-odd years, which have been responsible for leading us into this present economic and monetary and financial crisis.

LATEST FROM LAROCHE

LaRouche: Desperadoes Attack Brazil's 'Dr. Enéas' To Save Bankrupt System

This statement, headlined "Attacks on Brazil's Enéas Carneiro Come from Desperadoes Trying To Preserve the Bankrupt World Financial System," was released on Dec. 3 by Lyndon H. LaRouche, Jr.'s Presidential pre-candidate political committee, LaRouche in 2004.

Brazilian Congressman-elect Dr. Enéas Carneiro of the nationalist PRONA party, has been subjected to a string of spurious accusations over recent weeks, regarding alleged irregularities in the reporting of legal residences of candidates who ran for office on his PRONA party ticket. Enéas, as he is widely known throughout Brazil, is a personal friend of U.S. Democratic Presidential pre-candidate Lyndon LaRouche, and had hosted LaRouche's June 2002 visit to Brazil, where LaRouche was made an Honorary Citizen of São Paulo by the City Council. Enéas was elected to Brazil's national Congress in the late-

October general elections, with the largest vote total, by far, ever received by any Congressional candidate in the country's history.

In response to reports of the ongoing attacks against Enéas, LaRouche commented: "The attacks on Enéas Carneiro are an attack on me, and the policies I represent to solve the global financial crisis. The allegations against him are not credible. From my viewpoint, all of the arguments presented to date, lack credibility, indicating that something else, some other purpose, is behind the attacks.

"That other purpose is an attempt by corrupt, foreign forces to control the Administration of incoming Brazilian President Lula. The point is that Enéas, along with his five fellow Congressmen-elect from the PRONA slate, represents a loose-cannon factor in Brazilian politics, which, under the expected conditions of looming financial and economic crisis, will tend to polarize around itself, a significant patriotic factor in the country.

"Such a patriotic reflex in the midst of the crisis, is precisely what those corrupt international financial and other interests don't want. They understand and fear that, seeing the conditions of crisis, a patriotic reflex will impel all kinds of factors in Brazil—both inside and outside the Lula government—to respond to the demands of the International Monetary Fund et al. in a patriotic fashion. Enéas, with his call for a break with IMF policies, and his support for my proposed New Bretton Woods solution to the current crisis, typifies that impulse.

"So, corrupt elements in the world, located principally outside Brazil, view Enéas as a menace. It is obvious that this is the actual issue in the recent allegations against him and his colleagues.

"The reality is that the present world financial system is hopelessly disintegrating. This is not a Brazilian economic crisis; it is a crisis of the entire global system. So, those desperadoes who are trying to preserve the existing system are losers: Their system can not be saved, no matter how desperate and hysterical their efforts to do so. We have here the case of the desperately hungry trying to feast on the inedible," LaRouche concluded.

Attacks on Brazil's Enéas Carneiro Come from Desperadoes Trying To Preserve the Bankrupt World Financial System

This statement was released on Dec. 3 by Lyndon H. LaRouche, Jr.'s Presidential pre-candidate political committee, LaRouche in 2004.

Why Parliaments and Popular Opinion Can't Solve the Global Crisis

Lyndon LaRouche's opening remarks to the cadre school of the International LaRouche Youth Movement, meeting in Copenhagen on Nov. 30, and a selection from the questions and answers.

Transform the Bankrupt Monetary System

This e-mail interchange between a reader and 2004 Presidential pre-candidate Lyndon H. LaRouche, Jr. was made available to EIR on Dec. 1 by the LaRouche in 2004 campaign committee.

Franklin Roosevelt and The American System

"Q: First I wanted to remind you about Plato, saying in a dialogue, that the worst destiny you can have, is having a leader who's less capable than yourself; and that you have to enforce the people who are more capable than yourself, to become leaders..."

U.S. ECONOMIC/FINANCIAL NEWS

End-of-Year Massacre at White House: Economic Chieftains Dumped—Will Bush Change Course?

Reflecting the Administration's growing nervousness over the sinking economy, was the shakeup in the Bush Cabinet that took place Dec. 6: Treasury Secretary Paul O'Neill and Chief Economic Adviser Larry Lindsey announced their resignations within minutes of each other, just after just the news was released that the unemployment rate for November surged to 6% (see below), adding to an already stunning series of disastrous economic reports, including the pending bankruptcy of the nation's second-largest airline (see [INDEPTH](#)). Most Washington insiders report that President Bush had asked for the resignations Dec. 4.

O'Neill, the first Cabinet official to leave, announced his resignation in a terse letter to Bush, to take effect within a "few weeks," according to a Treasury spokeswoman. Lindsey, head of the White House's National Economic Council, is expected to leave at the end of the year, said White House spokesman Ari Fleischer.

The *Washington Post* reported Dec. 7 that Bush made the decision to purge his economic team earlier in the week, at a meeting with top political guru Karl Rove, Chief of Staff Andrew Card, and Card's deputy Joshua Bolton. According to *Reuters*, citing an unnamed Republican source with close ties to the Administration, Vice President Dick Cheney played a key role in the shakeup, telling O'Neill in a face-to-face meeting on Dec. 5, that he had to go.

O'Neill is expected to be replaced by a corporate CEO, while the top candidate to replace Lindsey is reportedly Stephen Friedman, former co-chairman (with Robert Rubin, who was a Clinton-era Treasury Secretary) of Goldman-Sachs investment bank—indicating both Wall Street and Main Street are "satisfied."

Some expressed hope that the shakeup will change the Administration's economic course: "I hope this represents an acknowledgement by the President that his Administration's policies have failed to produce economic growth and create new jobs," commented Rep. Charles B. Rangel (D-N.Y.).

But, according to the *Washington Post*, Administration officials and GOP economists cautioned against expecting radically new policies. In fact, the only "radically new policies" on the table that have any hope of getting us out of this crisis, are the FDR-style recovery policies proposed by Democratic Presidential pre-candidate Lyndon LaRouche.

Official Unemployment Soars; 'Authoritative Experts' Express 'Shock'

Official U.S. unemployment rose from 8.209 million workers in October, to 8.508 million in November, an increase of 299,000 workers, the Department of Labor Bureau of Labor Statistics (BLS) reported Dec. 6. The official unemployment rate also jumped from 5.7% in October to 6.0% in November. This is the highest official rate in eight years. In reality, *EIR* has determined that real unemployment is twice what the BLS has told the public.

The "authoritative experts" expressed "shock" at the increase. The *Washington Post* electronic website headlined its article Dec. 6, "Unemployment Rate Unexpectedly Surges," noting that the Labor Department report "portrayed a bleak snapshot of the U.S. economy at a time when many analysts had thought that the rock-bottom days for job seekers were behind them." A red-faced *Bloomberg News Service* admitted: "Only five of the 60 economists surveyed [before the report] expected a drop in unemployment [in November]."

The BLS also reports a "household survey," according to which, the level of employment, plunged from 134,915,000 in October, to 134,225,000 in November, *a loss of 659,000 workers in November*. Some of these workers were counted in the official unemployment figures in November (299,000); but the remaining workers, who were part of the drop in the November employment, by the "household survey," left the labor force. The catch is, when a worker leaves the labor force, he or she is no longer counted as unemployed. These workers were not counted as unemployed.

Furthermore, unemployment continues to strike the manufacturing sector. November marked the 28th straight month in which the U.S. manufacturing workforce declined. During November, the manufacturing sector eliminated 45,000 jobs, of which 36,000 were *manufacturing production jobs*, those workers who physically alter nature to improve mankind's existence. Since July 2000, the U.S. has eliminated 1.992 million manufacturing jobs, of which 1.583 million were production manufacturing workers. This is an accurate barometer of the breakdown, as Lyndon LaRouche has discussed, of the physical economy.

The Unemployed Are Staying That Way

The average duration of unemployment is at its highest level in over eight years, as fewer people are finding jobs, even though new claims for unemployment are falling, wrote Irwin Kellner of *CBS Marketwatch* Dec. 3. Of those officially counted as unemployed, 36% have been without a job for 15 weeks or more—the highest percentage since 1991. Moreover, according to National Public Radio's Marketplace, 20% of those unemployed have been without work for six months or more—not since the recession of 1981 has it been this bad. There are 8 million jobless competing for 3.5 million jobs, and former skilled high-tech workers are accepting minimum-wage jobs at 7-11, etc. This, along with the fact that by January, 1 million unemployed Americans will be without unemployment insurance, following the failure of the Administration and Congress to act before Congress left town, to extend benefits to those whose payments are expiring.

Special EIW Report: U.S. Budget Deficit Is Out of Control

The United States is poised to run a fiscal year 2003 budget deficit of between \$400 and \$500 billion. The deficit is caused primarily by a collapsing level of revenue: In FY 2002, the U.S. experienced the largest single yearly collapse in individual income tax revenues—in both absolute amount and in percentage—in 70 years. Thus far, for FY 2003, this sharp revenue drop continues.

Table 1		
U.S. General		
Revenue Budget (\$ Billions)		
Deficit Has Swelled		
Fiscal Year	Real Federal General Revenue Budget	Sham Federal "Unified Budget"
1965	-1.6	-1.4
1970	-8.7	-2.8
1975	-55.3	-53.2
1980	-72.7	-73.8
1985	-221.7	-212.3
1990	-277.8	-221.2
1992	-340.5	-290.4
1995	-226.4	-164.0
1998	-30.0	69.2
1999	1.8	125.5
2000	86.6	236.4

2001	-33.4	127.1
2002	-317.3	-157.7

source:

U.S. Office of Management and Budget; U.S. Treasury Department; {EIR}

In the 1980s, the Reagan administration created the sham "unified budget" which mixed the actual Federal General Revenue budget with the surplus of the Social Security fund, in an attempt to make the budget deficit appear smaller than it actually was. **Table 1** shows that in 1965, before the post-industrial society policy took full effect, the deficit was only \$1.6 billion (the sham "unified budget" deficit was only \$1.4 billion). The implementation of a series of measures—the Volcker October 1979 "controlled disintegration" policy under President Carter; the 1981 Kemp-Roth Tax Act; the 1982 Garn-St Germain bank deregulation act, etc.—caused the U.S. budget deficit to swell, reaching a record level of \$340.5 billion in fiscal year 1992 (the last budget produced by President George H.W. Bush).

During the second half of the 1990s, the U.S. budget took in huge revenues, largely from taxation of the portion of the economy represented by the speculative bubble. This brought down the size of the general revenue budget deficit; in FY 1999 and 2000, principally taxation of the speculative bubble caused an apparent and fleeting budget surplus.

U.S. Highly Dependent on Capital Gains Taxes

Dependency on revenues from capital gains taxes turned into an addiction, which set up America's budget for a fall. During the past two and one-half years, the simultaneous blowing out of capital gains, and of the physical economy, collapsed budget tax revenues.

Table 2

	Capital Gains, and Taxation of Capital Gains	\$ Billions
	Realized Capital Gains	U.S. Taxes from taxation of Realized Capital Gains

1990	124	32
1995	180	40
2000	644	121
2001*	322	102
2002*	322	66

*estimated

(In the above table, realized capital gains are expressed on a calendar year; taxes from realized capital gains are expressed on a fiscal year.)

Table 2 shows that, fed by the stock-market bubble, the realized-capital-gains bubble leapt from \$180 billion in 1995, to \$644 billion in fiscal year 2000, more than a threefold increase. U.S. taxes from capital gains climbed from \$40 billion in fiscal year 1995, to \$121 billion in fiscal year 2000, an increase of \$81 billion. This and the taxation of other speculative sources, produced the apparent and fleeting budget surpluses of 1999 and 2000.

The collapse of the stock market, starting in March 2000, caused the realized-capital-gains bubble to pop, and taxes from realized capital gains plunged. After discussions with relevant government sources, *EIR* estimates that capital gains taxes plunged to \$66 billion in fiscal year 2002.

A twofold process hit individual income taxes. First, capital-gains taxes plunged. Second, during the past two years, several million workers lost their jobs, and many additional workers suffered wage cuts. This greatly reduced income taxes from wages and salaries. The twofold process caused a huge drop:

Table 3

Fiscal Year	Individual Income Taxes Paid to U.S. Government (\$ Billions)
2000	1004.5
2001	994.3
2002	858.3

Source: U.S. Office of Management and Budget; U.S. Treasury Department

Table 3 shows individual income taxes fell from a level of \$994.3 billion in fiscal 2001, to \$858.3 billion in fiscal year 2002, a fall of \$136 billion, or 13.7%. This is the steepest fall by absolute amount and by percent, in 70 years. This is the major reason that, as **Table 1** shows, the U.S. general-revenue budget deficit swelled to \$317.3 billion in fiscal year 2002, the second-highest annual deficit in U.S. history.

The U.S. general-revenue budget deficit reached \$57.7 billion in October 2002, the first month of FY 2003. As the meltdown of the U.S. economy accelerates, the more revenues collapse, on the one side; and the more expenditures for programs like unemployment insurance and food stamps grow, on the other. *Thus, there is no limit to how big the budget deficit will grow.* The FY 2003 Federal budget deficit is on a path to hit between \$400 and \$500 billion; but as shock waves hit the system, the deficit could become even larger.

U.S. Budget Crunch Begins To Take its Toll

Refusing to face up to the gargantuan budget deficit, the lame-duck Congress went home without passing any of the 13 major appropriations bills. This has already begun to take its toll on many Federal as well as state programs; many states depend heavily on Federal revenue sharing. Some of the fallout:

*According to the *Washington Post* Dec. 4, "Already Federal courthouses across the country have been told to freeze hiring of support staff, delay purchases of furniture and equipment, suspend some travel, and put off building maintenance and repairs, said Dick Carelli, spokesman for the U.S. Administrative Office of the Courts."

*A typical case of a state in crisis: Indiana has had no revenue growth for two years, and has announced an \$800-million deficit for this fiscal year; it was depending on Federal aid to bridge the gap. Without it, road projects are on hold; state police DNA testing on 758 cases won't be funded; and some Medicaid and other social-service programs, and a health-care plan for 50,000 children of the working poor, will be reduced. Once Congress refused to approve a 13-week extension of unemployment benefits, 10,000 Hoosiers will be without any income as state funds are gone.

*President Bush vetoed a 4.0% pay increase for Federal workers which was to take effect Jan. 1, instead limiting it to 3.1%.

*The Department of Justice's Office of Justice Program, which was to aid law enforcement, has not received required funds.

Food Stamp Usage Is on the Rise as Depression Deepens

Between July 2000 and August 2002, the number of Americans relying on Federal food stamps increased by 2.8 million, bringing total participation to 19.7 million people. Even more telling, is the fact that 86% of that increase, or 2.4 million people, took place in the last 17 months, i.e., between March 2001 and August 2002, according to a recent report issued by the Center on Budget and Policy Priorities. (March 2001 is the arbitrary date set by the National Bureau of Economic Research for the start of the recession, and August 2002 is the latest month for which there are data on food stamps.)

Despite claiming "it is not possible" to know "what caused the increase," the authors debunk a few of the standard myths. For example, the usual "seasonal trend" of decreased usage in summer months doesn't hold, as usage didn't decline between May and August 2002, "but rather rose to its highest level since April 1998." Or that changes in eligibility, i.e., restoring access to legal immigrants and modest benefit improvements, caused the increase. The CBPP authors write that these changes "do not explain the increase," as the "majority of [them] are optional" and could not even be implemented now.

Beginning to face reality, the authors state, "Much of the increase in food stamp [use] came as the unemployment rate was rising." The report notes that unemployment "rose steadily through 2001," and "fluctuated in 2002" but stayed in the high 5% range. Yet, the real explosion in usage will be seen as the September and October data become available, as they confess, "Increases in food stamp [use] often occur slightly after the unemployment rate rises," which it did in those two months.

Here are some details of the report:

*In 48 out of 50 states and the District of Columbia, food-stamp use grew by 10.9% from August 2001 to August 2002. Data from the U.S. Department of Agriculture and analyzed by the CBPP show that over this period, the number of people using food stamps grew from 17.6 million to 19.7 million. The figures reported below show that usage increased in five states by more than 20%, in 11 states by more than 15%, and in 16 states by more than 10%. Twenty-nine states were above the 10.9% national average.

*States with 20% or more increase:

Alaska (20.4%); Arizona (28.5%); Delaware (29.7%); Nevada (30.1%); and Oklahoma (27.1%).

*States with 15% or more increase:

Colorado (16.2%); Idaho (19%); Indiana (15.9%); Kansas (17.6%); Kentucky (15.6%); Oregon (18.1%); South Carolina (17.3%); Tennessee (15.1%); Texas (15.4%); Utah (17%); and Wisconsin (17.8%).

*States with 10% or more increase:

Florida (11.1%); Georgia (12.8%); Iowa (11.3%); Louisiana (14.5%); Maryland (11.1%); Massachusetts (14.7%); Michigan (13.9%); Minnesota (10.1%); Missouri (11.3%); Nebraska (11.7%); New Hampshire (12.2%); New Mexico

(10.5%); North Carolina (13.9%); Ohio (13.7%); Washington (14.3%); and Wyoming (10.5%).

WALL STREET POLICE BLOTTER

Todd Geiger, former **El Paso Corporation** vice president, was indicted on charges of reporting bogus natural-gas trades to allegedly manipulate price indices, as part of an expanding criminal probe of false transactions used by energy trading companies to inflate revenue. A Federal grand jury in Houston charged Geiger with wire fraud and filing a false commodity report, accusing him of fabricating 48 bogus trades and providing the information in November 2001 to *Inside FERC* (*Federal Energy Regulatory Commission*) *Gas Market Report*, a newsletter that compiles price indices used in supply contracts. Geiger was the head of El Paso's Canadian natural-gas trading desk.

If convicted, Geiger faces up to five years in prison and a \$500,000 fine on the charge of false reporting; and a maximum of five years in prison and a \$250,000 fine on the wire fraud charge.

WORLD ECONOMIC NEWS

Sakakibara Warns of Global Economic Crisis

Former Japanese Deputy Finance Minister Eisuke Sakakibara pointed to the threat of a global economic crisis, in an interview with the German news weekly *Der Spiegel*. Sakakibara, who was known as "Mr. Yen," notes that the usual monetary and fiscal measures are no longer sufficient to deal with mounting problems in the world economy. The example of the Bank of Japan shows that central banks have reached their limits and even "Greenspan's magic" is finally disappearing. Sakakibara adds: "The situation of the world economy is very serious. As Deputy Finance Minister, I was involved in fighting the global financial crises of 1997 and 1998. At that time, the origins of crisis were Asia, Russia, Brazil. Today, the situation is much more dangerous. Today, the centers of crisis are Japan, the United States, Germany. On top of this, there is an extremely dramatic situation in Latin America."

Spiegel asks whether we are heading into a "world economic crisis," to which Sakakibara responds, "This threat is real, indeed." Globally, stock markets have plunged, but have, by far, not reached their bottom. Meanwhile, banks in Japan and Germany, and also in the United States, are accumulating bad debt at an incredible speed. In spite of globalization, we lack "global financial institutions" that would be able "to control a worldwide financial crisis."

Debt Crisis Looms Over Brazil; Investors Ready To Bail?

Because of constant refinancing at shorter and shorter terms, Brazil is now expected to come up with \$61 billion in debt repayments in the first half of 2003. Forty percent of domestic bonds mature in the next 12 months, up from 25.6% late last year. In April alone, about \$11.4 billion in debt bonds must be repaid, or refinanced. Total foreign and domestic debt is officially estimated at \$312 billion, accounting for a whopping 80% of Brazil's gross domestic product, up from 42% less than four years ago.

Notwithstanding all of President-elect Lula da Silva's pledges to keep the nation solvent, nerves are fraying throughout the financial establishment, and one investment house after another is warning that the risk of investing in Brazil is just too high. According to Michael Mussa, former IMF research director and now a senior fellow at the Institute for International Economics, "Unless there is a spontaneous substantial further recovery of market sentiment, or something dramatic is done to provoke such a recovery, the Brazilian authorities will soon run out of room for maneuver, and a deep crisis will ensue."

Right on cue, a report just issued by JP Morgan Chase & Co. says that the incoming Lula government may not be able to ram through promised austerity, and that investors should therefore start divesting themselves of bond holdings. This, the second-largest U.S. bank, changed its assessment of Brazilian bonds from "market weight" to "underweight," causing an immediate slide in the Brazilian currency, the real. In particular, the report suggests that Lula will face "resistance" from his own Workers Party (PT) in Congress on the pension cuts, more taxes, and spending reductions allegedly needed to prevent a debt default.

While Lula's near-term appointment of an economic team is being promoted as promising assurances to the market, JP Morgan Chase is less sanguine: "The likely composition of the Lula Administration provides insufficient reassurance regarding the policy orientation of the new government."

Mexican Agriculture Facing Disaster Under NAFTA; Protests Accelerate

More and more details are coming out regarding the tidal wave that will hit Mexico's agricultural sector come Jan. 1, when all restraints on NAFTA are lifted. Added to the crisis for the agricultural industry, is the impact on the estimated 27 million Mexicans who make their living in farming, 73% of whom are officially living under "extreme poverty," according to the World Bank. Eggs and chicken will be freely imported, immediately knocking out 30,000 of the 120,000 jobs directly dependent on the industry. Pig production will suffer as well, with a possible loss of 50,000 jobs directly, and another 250,000 indirectly linked to the industry. And the story is the same across the board. According to the Governor of Sinaloa, food imports into Mexico have already gone from 13% to 46% of total food supply between 1985 and 2002. By Jan. 1, what little is left of domestic production could disappear altogether.

Uruguayan Unemployment Hits Record 19.2%

Unemployment in Uruguay hit a record 19.2% for the three-month period ending Oct. 31. The tiny country, which is teetering on the brink of default, has seen its economy dissolve since the middle of this year, despite a hefty \$3-billion IMF bailout. For the same period in 2001, unemployment was 15.2%. The current rate translates into 234,200 jobless in a workforce of 1.22 million.

Paraguay Heading Toward Debt Default

Last week, the Congress of Paraguay again failed to pass an austerity package demanded by the International Monetary Fund as a conditionality for a \$200-million loan, provoking the resignation of both the Central Bank president and Finance Minister. Wracked by political chaos and economic dislocation, the country has absolutely no means to pay its \$2.2-billion foreign debt—nor should it. But the IMF and the *New York Times* are gnashing their teeth over the country's "irresponsibility," with the *Times* complaining on Nov. 29 that Paraguay "passed up a chance to privatize the country's state-run telephone company," which supposedly would have provided it with lots of cash.

The IMF attacked the Congress for not wanting to raise taxes and cut expenditures, even when the government doesn't know how it will pay public employees, due to lack of revenues. According to the head of the IMF mission which was just in Asuncion, President Gonzalez Macchi "will have to choose at the end of the month who to pay and who not to pay." On Nov. 27, Standard & Poor's downgraded the country's credit rating to six levels beneath investment grade. The economy will shrink by 4.5% this year, and 2003 is expected to be even worse.

United Airlines' Cousin, Brazil's Varig, May Be Grounded

The Brazilian government's BNDES development bank refused to loan Varig Airlines \$900 million urgently needed to

continue operating, leading unnamed international creditors to activate a clause permitting them to seize Varig's credit-card ticket sales—which, in turn, may deprive Varig of the cash it needs to keep its planes in the air.

Varig is part of the Star Alliance, a passenger- and revenue-sharing network that includes United Airlines.

UNITED STATES NEWS DIGEST

Kissinger Peddles Preemptive War, Clash of Civilizations

No doubt Henry Kissinger's latest diatribe, on how NATO must learn to love preemptive war, will soon make it into the pages of the *Washington Post*, *Los Angeles Times*, *International Herald Tribune*, and *Die Welt*.

Published Dec. 1 in Rupert Murdoch's *New York Post*, Kissinger's current column assails Europe for making too much of a stink over the Bush Administration's new national security doctrine of preemptive war, arguing that the events of 9-11 and the danger of WMD attacks now make national sovereignty a relic, and warrant preemptive attacks.

"Preemption is inherent in the technology and ideology of the 21st-century international system," Kissinger wrote. Kissinger's advice to the Bush Team, which he has now more or less joined as chairman of the 9-11 investigation commission, is to work with the NATO allies to reach an agreement on how to carry out preemptive war, or else the U.S. will eventually be ganged up on. "History shows," he wrote, "that, sooner or later, every powerful country calls into being countervailing forces. And at that point—and I would insist even now—the United States will not be able to sort out every international problem alone without exhausting itself physically and psychologically."

Kissinger argued that the glue that should repair the damage in the Western Alliance is the common threat of a Clash of Civilization: "We will need allies, and the countries that most share our values and history are the NATO countries," he explained. "And however much conventional wisdom balks at the concept of a clash of civilizations, that is what Western societies face together from the radical crusading version of Islam."

At that point, Kissinger turned to the same argument touted by the *Washington Post's* resident British liberal imperialist, Sebastian Mallaby. Kissinger declared, "The ultimate challenge for American foreign policy is to turn dominant power into a sense of shared responsibility; it is to conduct policy, as the Australian scholar Coral Bell has written, as if the international order were composed of many centers of power, even while we are aware of our strategic preeminence."

President Bush Attends Eid Al-Fitr at Washington Islamic Center

President George W. Bush and the First Lady attended the breaking-of-fast ceremony on Dec. 5 to celebrate the end of the Muslim holy month of Ramadan, in President Bush's second visit to Washington, D.C.'s Islamic Center (his first occurred shortly after Sept. 11, 2001). The President's, though brief, were respectful and appreciative. He congratulated Imam Dr. Khouj for the role the Islamic Center has played in Washington for half a century.

Bush said: "This beautiful mosque has served as a place of worship for Muslims and has helped to advance understanding between people of different faiths. Millions of our fellow Americans practice the Muslim faith. They lead lives of honesty and justice and compassion.

"I am pleased to join you today in the celebration of Eid, the culmination of the Holy Month of Ramadan. I appreciate so very much Dr. Khouj, and I want to thank the other distinguished imam from the Washington, D.C. area....

"The spirit behind this holiday is a reminder that Islam brings hope and comfort to more than a billion people worldwide. Islam affirms God's justice and insists on man's moral responsibility. This holiday is also an occasion to remember that Islam gave birth to a rich civilization of learning that has benefitted mankind.

"Here in the United States our Muslim citizens are making many contributions in business, science and law, medicine and education, and in other fields. Muslim members of our Armed Forces and of my administration are serving their fellow Americans with distinction, upholding our nation's ideals of liberty and justice in a world at peace. And in our Nation's Capital, this center contributes greatly to our spiritual and cultural life.

"On behalf of Laura and our family and the American people, I bring our best wishes to all who worship here, and to Muslims throughout the world for a joyous Eid, and for health and happiness and prosperity in the year to come.

"Eid Mubarak. God bless."

Religious-Warfare Gang Goes Crazy Over Bush's Appearance at Islamic Center

The Dec. 6 *Washington Times* featured Bush's visit on the front-page, prominently quoting Pat Robertson saying that Bush "ignores history" by not acknowledging that Islam is "violent at its core." The article also quotes William S. Lind of Paul Weyrich's Free Congress Foundation mocking what Bush did, comparing it to celebrating Shinto after Pearl Harbor.

Washington Times editor Wesley Pruden dished out more ridicule of Bush for his statements on Islam, saying that Bush "is not very convincing as the theologian in chief." Pruden says that FDR didn't assuage the Japanese by praising Shinto after Pearl Harbor, nor did FDR feel the need to serve up sauerkraut and bratwurst at the White House as Americans battled Germany.

In a *Washington Post* column Dec. 6, neo-con Charles Krauthammer wrote another of his diatribes against Islam, contending that it is irrelevant if Islam were a religion of tolerance sometime in the past, because today it's violent and bloody, just as Samuel Huntington says.

Bush Imposes, But Waives, Sanctions on PLO and Palestinian Authority

Under agreements reached in 1993 between the U.S. government and the Palestine Liberation Organization/Palestinian Authority at the time of the signing of the Oslo accords between Israel and the Palestinians, certain commitments were made by the PLO/PA, including rejection of use of terrorism. Every six months thereafter, a report is issued evaluating compliance with the terms of agreement. This year, based on a report given him, President Bush determined that sanctions should be imposed, which action "downgrades" the status of the PLO office in the United States. Simultaneously, however, the President said, in a statement issued Dec. 3, that he found "that it is in the national security interest of the United States to waive that sanction," for this next 180-day period, before the next report is issued.

Democratic Leadership Council: Let's Annex Dems to the GOP

On Dec. 2, Al From and Bruce Reed of the Democratic Leadership Council released a memo that, in the words of *New York Times* columnist Maureen Dowd, "pretty much suggested that Democrats become an annex of the Republican Party."

In a Dec. 4 column, Dowd warned that the Democratic Party are becoming a bunch of "eunuchs" cowering from "Sheriff Bush" and his posse, afraid they'll be accused of being soft on terrorism or unpatriotic.

Dowd wrote of the From-Reed memo: "Running away from [new House Minority Leader] Nancy Pelosi and jumping into Lynne Cheney's lap, the memo warned that if Democrats continue to come across as counterculture wimps on terrorism, they are doomed."

The Democratic Leadership Council is the centrist Democratic group that brought us such notable losers as Al Gore, Joe Lieberman, Kathleen Kennedy Townsend, Dick Gephardt, and such master-"triangulators" as political consultant Dick Morris. DLC founder Lieberman was singled out by Lyndon LaRouche last summer as the chief obstacle to serious efforts by the Democrats to stop the war drive against Iraq, and adopt infrastructure development programs to turn around the economic collapse.

As LaRouche had warned, Democrats following the DLC policies (that is, flabbily trying to imitate the Republicans), were doomed to lose in the Nov. 5 elections. That's exactly what happened. So now what do the DLC gurus propose? More of the same.

The political bankruptcy of the memo reinforces LaRouche's assertion that post-Nov. 5, he stands as the only viable Democratic leader.

That fact becomes even more obvious when looking at the overall Democratic Presidential "field." Lieberman is going nowhere fast. As his home-state newspaper, the *Hartford Courant*, pointed out right after the November elections, of the 11 Senate candidates he strenuously supported, eight lost, and Mary Landrieu wound up in a tight runoff (which she has since won). Not a very good track record.

And of course, Lieberman's 2000 running mate is hopeless. A Nov. 26 *New York Times/CBS News* poll found that Al Gore "is viewed unfavorably today by a ratio of almost two to one," despite favorable (even fawning) national publicity he and wife Tipper got from the tour that promoted their two new books (and reintroduced them to the electorate). Nearly two-thirds of the respondents, including just over 50% of Democrats, said that Gore should not run in 2004.

A *Washington Post* gossip column reports that the Gore books are not selling up to expectations, quoting a "publishing expert who asked for anonymity," that the Gores have "been on television, in *Time* magazine and everywhere else, and the sales don't seem commensurate with the attention."

According to *Washington Post* columnist Richard Cohen, the *New York Times* indicated that Gore's favorable ratings are among the worst it's ever recorded, since it started taking such polls in 1987.

As for Dick Gephardt and Tom Daschle, Gephardt stepped down as House Minority Leader partly because he had led his party into a debacle in the elections, and partly because he's still hankering to run for President. Daschle is perhaps not as compromised as Gephardt, but his whiny petulance has had the effect of putting him very low (11%) in the National Quinnipiac University Poll of Presidential preference.

Lowest of all in that poll is rookie Senator and DLC leader John Edwards (North Carolina), at 4%.

Meanwhile, although the DLC's favorite Republican, Sen. John McCain (R-Ariz) insists that he won't be on the same ticket as possible Presidential candidate Sen. Joe Lieberman (D-Conn), Lieberman won't rule it out. "You know, it's so far ahead, Lieberman told *The New Yorker* magazine's Jeffrey Toobin, adding that: "There's nobody I think better of just in terms of integrity, purpose, honor, trustworthiness." And, when Toobin suggested to McCain that the two feel the same about President Bush, McCain responded: "Exactly ... [although] I probably don't feel as strongly negative."

Actually, one of the strongest bonds between Lieberman and McCain has to do with the role organized-crime money has played in both their political careers. And then there's the fact that the two have deployed themselves together to bash President Bush almost constantly to force him into war on Iraq.

Who Sucked the Life Out of Nancy Pelosi?

That's what syndicated columnist and political *enfant terrible* Arianna Huffington asked in a Nov. 21 column. "Was it 'Meet the Press' or the Sci-Fi Channel?... Nancy Pelosi... [the new] House Minority Leader... sounded like a character from *Invasion of the Body Snatchers*." Huffington compared what she described as the formerly "bold, combative, impassioned, progressive politician" with the present "soulless pod person—an empty shell mouthing the kind of pallid, inoffensive, focus group-tested and cringe-inducing platitudes that have driven two-thirds of the American electorate away from politics—and a little more than half of the remaining one-third away from the Democratic Party."

Huffington cited Pelosi's switch to acquiescence in an Iraq war, after having voted against the use-of-force resolution.

"To hear Pod Pelosi tell it, her leadership role is all about finding the political middle. 'We must seek our common ground with the administration,'" Pelosi told "Meet the Press." Pelosi's communications director, Brendan Daly, explained, "She has got her beliefs. But we are here to win [sic], and she understands that to do that you need to be in the middle."

Meantime, the liberal magazine *The Nation* is questioning why Pelosi is so soft on President Bush, and suggesting that it may have to do with the friendship that grew up between Bush and her daughter, Alexandra Pelosi, when the latter, as an NBC-TV producer, was travelling on Bush's 2000 campaign plane, and making the recently premiered documentary *Journeys with George*.

It's Official: 'Recession' in Texas

Despite the sighs of relief that the collapse of Enron did not bring down Houston, Texas, the state is officially in "recession," reports the *New York Times*, whose profile of the Lone Star State badly underplays the problem. The leading problem is jobs: Texas lost 91,000 jobs in 2001 (the year Enron closed down) and another 22,000 jobs in 2002. There has been about a 9% drop in personal income from mid-2000 to the second quarter of 2002.

The hardest hit is Dallas, where layoffs have former hi-tech workers now jamming homeless shelters. Austin/Dallas was the telecom/hi-tech corridor, but has suffered layoffs through the last year, and more are expected, since the area is also home to the troubled American Airlines. Two years ago, Dallas had the lowest unemployment of the 15 largest American cities; now it is "hardest hit," said one economist, with a net loss of 15,000 jobs in the past year, despite an increase of government contracts to defense industries like Raytheon, Boeing, and Lockheed Martin.

Statewide there is the budget shortfall of up to \$12 billion, and Medicaid will likely be hit; the Republicans rule out tax increases, and there's a continuing drop in revenues.

LaRouche Representative Testifies at Nevada Economic Forum

The Nevada Economic Forum on Dec. 2 took 10-15 minutes of testimony from Ann Reynolds, co-leader of the LaRouche movement in Nevada, on LaRouche's emergency economic program. The Nevada Economic Forum is a panel of five financial experts from outside state government; by law, the Governor must use the revenue projections it made Dec. 2 as the basis for submitting a balanced budget for next fiscal year.

Reynolds asserted that "Lyndon LaRouche has a plan that *will* work.... It has worked three times before, after the American Revolution, after the Civil War, and with FDR."

She criticized the fantasies of economic recovery upon which the Forum projected that state revenues would increase by 3.5% in this fiscal year, 4.6% in '03-'04, and 5.1% in '04-'05, ridiculing their self-proclaimed assumption of "a jobless recovery based on continuing consumer debt."

Instead, she said, the demise of the de-regulated airlines will hit Las Vegas hard. On a larger scale, the collapse of JP Morgan and Citibank could bring financial havoc. Most states are already ripping up their budgets and raising taxes. "By cutting government services and raising public taxes, Argentina has achieved a 57% poverty rate," she observed.

Reynolds outlined LaRouche's program for debt reorganization and publicly funded low-interest credits for infrastructure building—what LaRouche has called a "super TVA" approach—as the only way to get a functioning economy which provides for the general welfare. The LaRouche movement is lobbying state legislatures across the country, to inform them of the need to force Washington to change the axioms of economic policy.

IBERO-AMERICAN NEWS DIGEST

Brazil's Lula to Argentines: 'We Must Take Control of Our Destiny'

Brazil's President-elect Lula da Silva arrived in Argentina Dec. 2 "bearing a Brazilian message of hope" for the region, as he described it to his hosts. In statements that must have alarmed the financial sharks in London and on Wall Street, Lula spoke about the potential for a real strategic partnership between the two nations, overcoming "artificially created rivalries of the past." In response, he was greeted with great enthusiasm by the Argentines, who see in him the potential for sweeping away the IMF policies which have devastated their nation, and forging a regional alliance to lift both nations out of crisis.

In addition to a speech to a luncheon at the residence of President Eduardo Duhalde, Lula spoke at the office of the Buenos Aires Mayor, where he received a standing ovation from public employees and staff, and later addressed an overflow crowd at the Senate. Lula was emphatic in telling the Argentines not to give in to demoralization, despite the terrible crisis they have faced. Don't give up on politics, he said. "You don't have the right to turn away [from politics], to lose hope; it would be important if, in your next elections, you elect ethical candidates, committed to freedom and sovereignty."

He underscored that, "in recent years, wrong economic and political actions led us to successive crises. In trying to overcome economic crises, we ended up becoming dependent on foreign financial flows. With that, our ability to make sovereign decisions was diminished. We were left at the mercy of speculators, who many times, don't even exactly know where our countries are located." He added that "the message I received from my people in the elections is that this negative period must be left behind. We must retake control of our destiny, and build our future." Argentina and Brazil will build that future "together," he said. Relations between the two countries "must be assumed to be strategic.... The fate of Latin America depends a great deal on this."

In his brief, 24-hour stay, Lula held a private meeting with President Duhalde, which unexpectedly resulted in the setting of a Jan. 14 meeting of both countries' economics and foreign affairs officials to map out plans for rebuilding the four-nation (Argentina, Brazil, Paraguay, and Uruguay) customs union, Mercosur—Common Market of the South—which Lula stressed would be the basis for furthering Ibero-American integration. There must be "economic coordination" on a macro-regional level, Lula said, combined with a common industrial policy, and eventually a common currency. A Mercosur Parliament is also on the agenda. Without mentioning him by name, Lula chastised Argentina's former President Carlos

Menem, who had done everything possible to destroy Mercosur.

"Mercosur must be transformed, not only into an effective customs union, but into a space for convergence of active industrial and agricultural policies. We seek a true integration," Lula said, citing the European Union as a model. "As President, I want us to cease being treated as Third World countries, so that we become economic technological powers. With Mercosur, it will be easier to combat the hunger of many of our brothers." Mercosur, he also emphasized, will negotiate as a bloc—not as each individual country—with the U.S. on the issue of the Free Trade Area of the Americas (FTAA).

Argentine and Brazilian businessmen are chomping at the bit to sit down and resolve existing trade and other problems, so economic cooperation can begin. Alberto Echeberry, who was in charge of Latin American affairs under former President Raul Alfonsin, told *Folha de Sao Paulo* that Argentina could play a vital role in Lula's "zero hunger" program, by selling rice and beans to Brazil. "The zero-hunger plan is the first opportunity for integrating regional production. And, of course, for Argentina, the partnership with Brazil is fundamental for negotiating with other markets," Echeberry said.

Venezuela's Oil Workers Up the Ante; Join General Strike Against Chavez

Venezuela's oil sector joined the opposition's general strike on Dec. 5, upping the ante considerably in a very tense situation, and provoking an hysterical reaction from President Hugo Chavez. The nationwide strike, led by the country's main business and labor federations, which began Dec. 2, was initially called for 48 hours only, but the strike has been extended and continued. The strike is political, demanding Chavez convoke a non-binding referendum on whether he should stay, or leave office early, which Chavez has so far refused to do.

The battle is now coming down to how the strike affects Venezuela's oil production and exports. Scarcity of gasoline supplies inside Venezuela is already being felt in some areas of the country, but the big issue is exports. Venezuela supplies 13% of U.S. oil imports.

As late as Dec. 4, it was still unclear whether oil workers would join the strike, and there was talk among the leadership of winding the protest down—even as protest marches expanded in 15 cities around the country. But on Dec. 5 several oil tankers, manned by anti-Chavez crews from the state oil firm PdVSA, dropped anchor in Lake Maracaibo and refused to move, while others blocked the entrance to the shipping terminal at the Amuay refinery, the country's largest. Output at the Amuay refinery has dropped by 50%, and several other refineries are operating at minimal capacity, due to lack of personnel.

On Dec. 5, the price for international benchmark Brent crude oil rose by 2.5%. Fear that Venezuela won't be able to reliably supply the U.S.—the U.S. is counting on Venezuela, in the event Mideast oil supplies are disrupted, should there be a war with Iraq—moved Chavez to immediately deploy the Army, Navy, Air Force, and National Guard to seize the tankers, and to patrol oil installations, under a special "Plan Alcatraz" designed to keep operations going. Chavez addressed the nation to justify the decision, charging that the tanker crews had committed "acts of piracy," and that his government was the target of an "insurrectional strike with secret plans," to sabotage the economy and privatize PdVSA.

Former Oil Minister Humberto Calderon, also a former PdVSA president, warns, "This is looking like the most serious crisis to face the Venezuelan oil industry in its history. It's very dangerous to militarize PdVSA. All of this suggests there could be a more, very serious disruption to exports." PdVSA president Ali Rodriguez said there is about a week's supply of crude and products at bunkers, which means that transportation bottlenecks must be quickly removed. Using inexperienced military personnel to transport products such as liquified gas, or to take over complex refinery operations, poses a big safety risk.

Negotiations between the opposition and the government, mediated by Organization of American States Secretary General Cesar Gaviria have broken down—again. And, despite expectations that the strike might end, after the Supreme Electoral Tribunal on Dec. 4 voted up the opposition's request that the referendum on Chavez be held on Feb. 2, it continued.

The deadly shooting by three gunmen of anti-Chavez protesters gathered in a main Plaza in Caracas has intensified the crisis.

The LaRouche Doctrine for the Americas

Two new books reflecting Lyndon LaRouche's international policy proposals—in this case, for the Americas—are about to be published in Ibero-America.

Under the title *The LaRouche Doctrine for the Americas*, LaRouche's Ibero-American Solidarity Movement (MSIA) of Brazil is publishing a Portuguese-language book containing the full documentation of Lyndon and Helga LaRouche's historic June 2002 visit to Brazil. The edition includes the four major policy speeches that LaRouche delivered during his week-long stay in the country, including his address upon being proclaimed an Honorary Citizen of Sao Paulo, Brazil by Sao Paulo's City Council.

The MSIA of Mexico is publishing a Spanish-language book, *The Hour of Integration; March Towards a New Bretton Woods*, which contains all of the major speeches delivered at the August 2002 founding conference in Guadalajara, of the Guadalajara Forum, including addresses by LaRouche and by former Mexican President Jose Lopez Portillo. A special appendix, "The LaRouche Doctrine for the Americas," features two of LaRouche's addresses from his Brazil visit, as well as his November 2000 essay, "In the Footsteps of John Quincy Adams; My Strategy for the Americas."

The two books are designed to help educate thinking citizens across Ibero-America as to the policy changes that are urgently needed to confront the existential crisis facing the entire planet.

Italian Government, Vatican To Advocate for Argentina at IMF

The Italian government and the Vatican will intervene on Argentina's behalf at the International Monetary Fund, and with the governments of the major industrialized nations which belong to the IMF. Argentina's Finance Minister Roberto Lavagna obtained commitments to this effect in his recent meetings with his Italian counterpart, Giulio Tremonti, with Foreign Minister Franco Frattini, as well as with Vatican officials, during his visit to Rome. He was told that the Italian government "is actively organizing strong support for Argentina" (about 6 million Argentines, or one-fifth of the population, are of Italian descent) among the governments of the G-7. Italy has offered "great understanding" of Argentina's crisis, Lavagna gratefully said.

In meetings at the Vatican, and speaking on President Duhalde's behalf, Lavagna also requested that the Vatican "transmit a message to governments and international agencies" on the urgent necessity of an agreement being reached with the IMF. According to *Clarín* Nov. 29, the Vatican's response was "favorable," and will probably be expressed in the form of a letter to IMF member governments. Lavagna discussed the details of Argentina's profound social crisis with Vatican Foreign Affairs Minister Msgr. Jean Luis Tauran of France, and also with Argentine Archbishop Luigi Sandri, who works with Tauran.

Italy is also concerned about the 350,000 Italians who collectively hold \$13.5 billion in Argentine bonds on which the Argentine government defaulted. Frattini told Lavagna that he wanted some guarantees that those debts would be honored. Lavagna responded that this problem would be dealt with, once a foreign financial adviser were named to help Argentina in

restructuring its foreign debt.

WESTERN EUROPEAN NEWS DIGEST

German Public Sector Begins Warning Strikes, Protests

Following several days of smaller warning strikes (each involving several hundred protesters) by urban transport, sanitation, and hospital workers in Germany, a national protest rally of 50,000 public-sector workers was held in Bremen Dec. 5. Nominally, they are demanding a 3% wage increase as the center of their demonstrations, but the protests are also taking aim at the austerity-driven budget-cutting taking place at the national, state and municipal levels.

On Dec. 6, 40,000 people, altogether, took part in walkouts and protest rallies lasting for several hours, mostly in the biggest German state, North Rhine-Westphalia, where 30,000 took part.

The participation of policemen and firemen is becoming more and more prominent in these protests and mini-strikes. Several thousand policemen were involved in the Dec. 6 activities, and 2,000 took part in the Bremen rally. In Sindelfingen, in southwestern Germany, 4,000 policemen protested in front of the convention center where the Baden-Wuerttemberg Christian Democrats were holding a state party congress.

Corporate Defaults in Germany at Highest Level in 53 Years

The backdrop to the social unrest in Germany is, of course, the deteriorating economy there, and the levels of austerity now being contemplated by newly reelected Chancellor Gerhard Schroeder (two months after his narrow September reelection victory, polls are said to show his Social Democratic Party 14 percentage points behind the Christian Democrats).

As for the economic deterioration, a report presented by Creditreform in Berlin fully corroborates forecasts that this past calendar year would be the worst in postwar German history, in terms of corporate defaults. More than 38,000 firms went under in 2002, leaving 38.4 billion euros in bad loans unpaid, eliminating 590,000 jobs. That represents an increase by 20% from 2001. For the coming year, Creditreform forecasts more than 40,000 defaults, and the elimination of 680,000 jobs, if the trend prevails—if it turns worse, however, far more than 42,000 defaults have to be expected.

Proposals for State Intervention into Fiat Back on the Table

On the eve of the official date indicated by the Italian automaker Fiat for planned layoffs of 8,000 workers, the Italian government and trade unions are meeting with the Fiat management to find a last-minute alternative solution.

Asked by journalists whether the state could become shareholder of Fiat, Industry Minister Antonio Marzano said that this option is not being currently considered, but if the crisis is not solved, in the future "nothing can be excluded." Welfare Minister Roberto Maroni (of the Lega Nord) said he is in favor of regional governments becoming Fiat shareholders.

Italian Prime Minister Silvio Berlusconi, in a provocation which has irritated the Fiat management, said that if he were not Prime Minister, he would happily take the job of Fiat manager, and put everything under Ferrari. In the meantime, Fiat workers are continuing their protest against the layoffs. Termini Imerese workers blocked the Melfi factory in Basilicata, while nine of their colleagues climbed a tower and are threatening suicide if the layoffs are not cancelled. In Turin, a few thousand workers struck in solidarity, blocking the highway for a few hours.

Is British Establishment Slamming the Brakes on War-Hungry Tony Blair?

It may be that the British Establishment has found a way to slam the political brakes on a war-hungry Prime Minister Tony Blair, by exploiting his worst personal family in five and one-half years in office. The scandal centers on wife Cherie; the "Cherie Affair" has become the lead item in the British dailies. Although this may appear to be gossip, it involves probably illegal behavior by the Prime Minister's wife, and certainly shows an "above the rules" contempt for the British public and institutions.

It involves the following:

Last Sunday, the *Mail on Sunday* tabloid reported that Cherie Blair had used the services of a convicted fraudster, an Australian named Peter Foster, to buy two Blair family apartments in Bristol, England, at a reduced price. When the story came out, Cherie denied it, and the 10 Downing Street Press Office, run by Blair Press Secretary Alastair Campbell, issued disclaimers, denouncing the tabloid.

The *Mail* retaliated by publishing private e-mails detailing the communications between Foster and Cherie over the Bristol property. In response, Cherie was forced to release a statement, admitting that it was true; and a second statement, exculpating Campbell's team and indicating she alone had been responsible for lying.

The *Guardian* revealed that Peter Foster is the boyfriend of one Carole Caplin, who is Cherie's special "lifestyle"/New Age guru. Caplin is a former topless model who, in the 1980s, was a member of a weird new age/sex cult called Exegesis, that was denounced in the British Parliament as "dangerous, puerile, and profoundly wrong."

As a result of all this, Tony Blair is in no position to bring Britain into a war on Iraq, because he is getting into serious political trouble at home, a very well-informed European strategist commented.

The source was reviewing the Iraq war dynamics, and said, "The oddity for the United States is that it has, through Wolfowitz in particular, now called for greater participation of the NATO countries in Iraq military preparations, precisely at the moment where there is no enthusiasm in any of the NATO countries that militarily matter, for this war."

He went on: "Take the case of the main ally, Britain. The reality is simple. Tony Blair is in real trouble. There is open opposition between him and [Chancellor of the Exchequer] Gordon Brown, which has become a new feature of the situation. Now, there is this matter of his wife Cherie. I can assure you, this is *not* a piece of gossip. For a lady of her caliber as a trained lawyer, to do what she did in this case, is truly astonishing.

"What it all means, is that *they* are after him." Asked what he meant by "they," the source replied, "There are many 'theys,' and the fact is, it is become a bit too much for Mr. Blair. I've seen his face during Parliament debates. He's getting tense. He considers himself under pressure. Under such conditions, I simply can't see Tony Blair leading Britain into war, with the U.S., against Iraq."

U.S. Will Train 2,000 Iraqi Oppositionists in Hungary

Hungarian Defense Minister Ferenc Juhasz revealed at a Budapest press conference Dec. 4 that the Pentagon will train 2,000 Iraqis in Hungary, to assist American troops during any possible invasion of Iraq. The Americans plan to carry out these training programs in the region around Taszar, in southern Hungary. Juhasz has already informed nine municipalities of the U.S. plans. The project, which will include the arrival of up to 800 U.S. military instructors, is to begin in January.

The 2,000 Iraqi oppositionists will be trained for tasks like forward-based target reconnaissance for the artillery, or as military policemen and translators. Their familiarity with the Iraqi geography especially is what the Pentagon wants to benefit from, according to Hungarian media reports.

86 French Parliamentarians Denounce a War on Iraq

Eighty-six French Parliamentarians (69 Deputies, 13 Senators, and four members of the European Parliament) from every party in France have signed a petition against a new American war in Iraq, attacking the "aggressive behavior of the U.S. towards Iraq."

While saying that "the war on terrorism should be waged without weakness," the Parliamentarians assert that the war on terrorism "should not aim at other goals." Instead of following principles of international law, they charge, the U.S. is using "medieval practices based on unilateral and preventive use of force," and they express concern about "the subordination of law to [the American] lone conception of morality."

They emphasize that only the UN Resolutions should be taken into account, asserting that any other goal, like overthrowing the Iraqi government is "irrelevant to the UN Security Council Resolutions." If the U.S. doesn't comply, "the UN Security Council should ... officially condemn any military action which would be waged without UN mandate."

While admitting that many countries in the Middle East have weapons of mass destruction, the Parliamentarians say they believe that the U.S. is motivated by other considerations, mainly economic ones.

Pope Asks That Christians Be 'Men of Dialogue'

According to the Vatican-affiliated news agency *Zenit*, Pope John Paul II, speaking at the pontifical Urban University at the beginning of December, asked that "Christians be men of dialogue and work against that Clash of Civilizations that at times seems inevitable." John Paul II urged students to have "an open sensitivity to the values of various cultures in relation to the evangelical message."

The Vatican newspaper, *L'Osservatore Romano*, emphasizing these remarks in a front-page banner headline, editorialized, "This is perhaps the most concrete challenge that humanity must confront in the century that has just begun."

The Pope called on the students to make their school a "gymnasium of universality, in which one must be able to breathe that sense of profound communion that characterized the early community." He said the Urban University should be distinguished "among the other universities in Rome precisely for its special attention to peoples' cultures and to the great world religions, beginning with Islam, Buddhism and Hinduism."

Russia and Central Asia News Digest

Putin Urges Continuing Russia, China, and India Meetings

Before departing New Delhi for Bishkek, Kyrgyzstan on Dec. 5, Russian President Vladimir Putin, in direct talks with India's Prime Minister Vajpayee, stressed the importance of continuing meetings between Russia, China and India. Putin said such meetings should be part of their trilateral cooperation initiative, *The Hindu* reported from New Delhi sources Dec. 6. Vajpayee did not respond directly, the sources said.

In addition to the three bilateral relationships among them, Putin said that the Foreign Ministers of the three countries should keep meeting together, as they did on the sidelines of the September UN General Assembly. (See INDEPTH, for full coverage of Putin's back-to-back visits to Beijing and New Delhi.)

Menshikov: People in Washington Misestimate Russian Policy

In his Nov. 29 *Moscow Tribune* column, the experienced Russian observer of the U.S. scene, Prof. Stanislav Menshikov, threw cold water on the notion that Russian support for an attack on Iraq could be bought with pledges of protecting Russian economic interests there, including its Iraqi contracts. "Russia's interest in a non-military solution in Iraq is primarily geopolitical, not economic or financial," he cautioned, "Iraq has for decades been a friendly state on the southern perimeter of Russia and so has Iran. Moscow wants it to remain that way. For various reasons it is supported by France, but also China and India, the two largest nations in Eurasia. Moscow would hardly want to forego that natural common interest for an uncertain financial kickback from the United States."

It is a mistake for President Bush to take Putin "for a weak partner who has to agree to anything the U.S. President demands," wrote Menshikov. He gave, as an example of such miscalculation, Bush's telling Putin during their recent St. Petersburg meeting, that expanding NATO is good for Russia. It is, wrote Menshikov, "another example of how much he underestimates his Kremlin vis-à-vis. Putin's reply was too polite to many Russians' taste. But it is simply a sign that the NATO expansion into the Baltics has been discounted at least some time ago. More important is what happens next. Putin's meeting with Lukashenka of Belarus shows that he is not prepared to dispose of that ally right now. Putin has also given Kuchma of Ukraine moral support in his current confrontation with the United States. Chances are that he will use other means to keep these countries out of NATO."

The article carried a subhead "Eurasian Strategic Triangle," and pointed to the importance of Putin's then-imminent Dec. 1-5 trip to Beijing and New Delhi. "The idea of building up a Strategic Triangle, once promoted by Yevgeny Primakov, might start becoming a reality under Putin. If that happens, it would be a very sensitive response to NATO expansion. Eventually, it could also help turn the scales in Eurasian and global geopolitics."

South Korea, Russia Discuss Northeast Asia Energy Community

South Korea and Russia agreed to expand economic cooperation across the board, said Seoul's Minister of Finance and Economy Jeon Yun-churl in a press conference Nov. 29, at the fourth Korea-Russia Joint Committee on Economic, Scientific and Technological Cooperation in Moscow. The committee reached a broad understanding on further bilateral ties, during talks, the Ministry said. The Export-Import Bank of Korea (EXIM) said Nov. 28 that it has reopened its office in Moscow four years after the closing of the office in November 1998.

Detailed negotiations on developing gas (and possibly oil) pipelines from Irkutsk to South Korea were also a key agenda item at the South Korea and Russia Fifth Resources Cooperation Committee Meeting Dec. 4-5 in Moscow, according to Seoul's Ministry of Commerce, Industry and Energy. "We are discussing establishment of a Northeast Asia Energy Community to use the oil and gas in Russia's Far East as a foundation for lasting peace and economic interdependence in the region," said a Korean official. "Energy consumption in Northeast Asia is growing at an enormous rate. China, Japan, and South Korea will be the largest energy-consuming region in the world by 2020. Energy demand in these three countries will account for two-thirds of the worldwide growth in energy. Demand must be met not only from the Mideast and Indonesia, but from within the Northeast Asian region."

Surveys are already underway to lay two 4,100-km (2,500-mile) pipelines, one for gas from the Kovykta field in Irkutsk on Lake Baikal to Ulaanbaatar, across Mongolia and northern China to Beijing, and on to South Korea, and Japan. A second oil pipeline is being discussed between Russia and China along the same route, at least as far as Beijing. Kovykta is the

largest gas reserve in Russia, with at least 1.4 trillion cubic meters, enough to meet U.S. gas demand for more than two years. Construction of the pipeline, planned to start in 2005, will cost from \$15-20 billion.

"We are hopeful this plan will be joined by North Korea," the Korean official said. The Irkutsk gas pipeline could reach South Korea from China, either by a subsea route or via North Korea, and on to Japan. "North Korea would receive substantial benefits," he continued. "It would collect fees from transmission of gas to South Korea and Japan, and have the right to tap the pipeline for power and fertilizer. The project would generate enough money for North Korea to finance the construction of a gas-fired power plant, and finance the rebuilding of its power grid for industry and households."

Moscow Mayor Backs Siberian River Projects

Moscow Mayor Yuri Luzhkov is sending a proposal to President Putin, on reviving the scheme to divert water from the great rivers of Siberia, southward into Central Asia. Luzhkov proposed creating an International Eurasian Consortium for this purpose, according to a Dec. 4 *RIA Novosti* report.

The project, which was worked up during the Soviet period but scrapped in the 1980s, would divert some water from the Ob and Irtysh Rivers to Central Asia, where the over-exploited Amu Darya and Syr Darya Rivers no longer serve even to feed the Aral Sea, causing an ecological catastrophe in the area. Luzhkov proposes that Russia sell the water to the Central Asian countries. Uzbekistan, in particular, has also called for reviving this project.

Luzhkov pointed to the situation in Afghanistan, where any serious revival of agriculture would urgently require expanded water supplies.

Chinese Firm May Bid for Russia's Slavneft Oil Company

The Russian government is deciding one of its biggest ever privatization tenders on Dec. 18, auctioning off the state's 74.95% share in the oil company Slavneft. The minimum bid is \$1.7 billion, with bids accepted through Dec. 15. During President Putin's trip to China, the Russian paper *Vedomosti* reported that the Chinese state oil company, CPNC, would likely take part in the Slavneft tender and had already hired consulting companies for this purpose. The report was not confirmed, and there was some speculation that it was floated in order to drive up other bids; *Vedomosti* quoted a source at one of the Russian contenders, who said that CPNC's participation in the auction could push the price towards \$3 billion.

Slavneft owns oilfields, with 400 million tons of confirmed reserves, in the East Siberia region from which an oil pipeline is being built to China.

Russian press have identified other likely bidders as Yukos (the second largest Russian oil company) which is also involved in the Chinese pipeline, Lukoil (the largest) with a foreign partner, Surgutneftegaz (third largest) with its close partners at Vladimir Potanin's Interros, and Roman Abramovich's Sibneft in alliance with the Alfa financial group. The financial paper *Kommersant* asserts that the initiative to sell the whole Slavneft stake at once came from Prime Minister Mikhail Kasyanov.

Germany Hosts Event on European-Russian Economic Cooperation

In the keynote address to a Dec. 3 event commemorating the 50th anniversary of the German *Ostausschuss der Deutschen Wirtschaft* (the "Eastern Committee of German Business," which promoted East-West trade even in the midst of the Cold War), German Chancellor Gerhard Schroeder said that the expansion of the European Union into 10 states of Eastern Europe should benefit Russia, as well as other European countries. The EU expansion eastward poses a financial burden for

Germany during the first phase of integration, but the benefits will soon outweigh the problems, Schroeder said, because "a giant economic potential is developing for Germany, in the East."

German trade with Eastern Europe, with 10% of total German exports, today exceeds trade with the U.S., said Schroeder, although German direct investments in the States are still bigger, in terms of total volume.

Jean Lemierre (France), President of the European Bank for Reconstruction and Development, said in his speech that the EU's partnership with Russia and other nations in Eastern Europe is essential to Europe's own development, as the EU bloc faces a host of own problems, which can be overcome only by looking to the East.

Mikhail Kasyanov, Prime Minister of Russia, called for economic relations between Germany, the EU and Russia, to go to a next phase, to the exchange of developed products, which would allow Russia to move from a supplier mostly of raw materials, to an exporter of industrial goods. He called for high-tech and especially, aerospace cooperation, to play a bigger role in the future.

Russian Academy: Economic Growth Stalled

Recent data on Russia's economic development indicate that the growth of the national economy is stalled, according to research by a group of scientists from the Institute of Economy of the Russian Academy of Sciences (RAS), reported in the Russian press Nov. 29. "The current level of public demand for domestic production has decreased to a minimum level for this year," announced the Institute's Natalya Raiskaya, Yakov Sergiyenko, and Alexander Frenkel. "On this background, in most of the branches of industry, enterprises are reducing their purchases of machinery and equipment. 64% of Russian industrial companies explain their current problems as due to a lack of demand, and 44% as due to a shortage of working capital.

"Non-ferrous metallurgy remains the most successful branch. However, in January-November (2002,) it grew by 8.4% against the same period last year, while in January-October (2002,) this rate was at 8.9%. A similar reduction of growth is registered in the food industry—6.6% as compared with 7.2% for January-October; in production of construction materials—3.8% against 4.2%; in machine-building—2.9% against 3.1%. The most depressed sectors are light industry (zero growth for the year) and electric energy (a 0.4% decline)," report the authors.

Russian Official: Iraq Inspections Going Well

Russian Deputy Foreign Minister Yuri Fedotov told *Itar-Tass* Dec. 3 that "the absence of difficulties in the work of the [United Nations] inspectors [in Iraq] gives grounds for optimism, as does cooperation with the UN people from the Iraq side." He also praised the inspectors for working "professionally and without bias."

Putin in Kyrgyzstan; Russian Military Base Inaugurated

En route to Moscow from his diplomacy in China and India, Russian President Vladimir Putin stopped Dec. 5 in Kyrgyzstan for meetings with President Askar Akayev and discussion of military cooperation in the framework of the CIS Collective Security Treaty (CST). The Presidents signed a detailed document, titled the Bishkek Declaration, and a bilateral security agreement, regulating military-technological cooperation. Defense Minister Sergei Ivanov had arrived in Bishkek the day before, with a 70-strong military delegation, to observe flights by Su-27 fighters at Kant, site of a future Russian military base. The decision to deploy an Air Force base near Bishkek was made at the Nov. 20 meeting of the CST defense ministers, *Izvestia* reported. The first five Su-27s have been delivered, with nine more to follow next year, according to *Kommersant*.

President Akayev expressed his commitment to military cooperation with Russia, including the permanent Russian air force base in Kant. At the same time, he emphasized that the deployment of NATO's military base in his country is restricted to the period of the NATO operation in Afghanistan. In turn, Putin promised to restructure Kyrgyzstan's energy debt to Russia.

Coverage of the Russian air base in Kant, in *The Hindu* of Dec. 4, termed its establishment "sudden," and bound to be a shock to the United States, since the general impression floating around Washington is that Russian influence across Central Asia has waned. The paper cited military officials from Russia and Kyrgyzstan, who said the base will enable Russian jets to provide close-air support for ground units of CST member states—Kyrgyzstan, Kazakhstan, Tajikistan, Russia, Armenia and Belarus—against potential security threats.

Assassination Attempt Against Turkmenistan's President

An assassination attempt against President Saparmurat Niyazov of Turkmenistan was reported on Nov. 25, when his motorcade came under machinegun fire. At least 16, possibly as many as 100 persons were arrested the next day, including relatives of four political figures accused by President Niyazov himself of being behind the attack: former Foreign Minister Boris Shikhmuradov, former Ambassador Nurmukhamet Khanamov, former Central Bank head Khudayberdy Orazov, and former Deputy Agriculture Minister Imanberdy Iklymov. All four have been in exile over the past year. Niyazov's aide Sardar Durdyev alluded to unnamed Russian politicians as patrons of the attack. On Dec. 1, *Interfax* quoted a spokesman for the Russian Prosecutor General's Office, denying that Turkmenistan had requested Russian help in locating the accused. Chairman of the Federation Council Sergei Mironov, among others, dismissed Durdyev's claim of Russian involvement in the attempt as "absurd."

MIDEAST NEWS DIGEST

Charge That Mossad Created Phony al-Qaeda To Justify Attacks

A major story began to unfold on Saturday, Dec. 7, when *Reuters*, *Ha'aretz* and *Al-Jazeera* all reported that the Palestinian Authority is accusing the Israeli Mossad of creating a phony al-Qaeda cell in the Gaza Strip, to justify Israeli attacks. On Dec. 7, *Ha'aretz*, an Israeli paper, reported, "The head of Palestinian Preventive Security in the Gaza Strip said Friday [Dec. 6] that his forces had identified a number of Palestinian collaborators who had been ordered by Israeli security agencies to 'work in the Gaza Strip under the name of Al-Qaeda.' He said the investigation was ongoing and evidence would be presented soon." The statements cited by *Ha'aretz* were attributed to Rashid Abu Shbak.

Al-Jazeera TV also ran the story on Dec. 7, adding that the Palestinian authorities had arrested a group of Palestinian "collaborators with Israeli occupation" in Gaza, who are trying to set up an operation there in the name of Osama bin Laden's al-Qaeda. The Palestinian Authority spokesman said the members of the group have confessed that they were recruited and organized by the Israeli intelligence agency, Mossad. The revelation blows Israeli Prime Minister Ariel Sharon's most deadly "justification" for the brutal IDF attacks in the Gaza Strip which killed 10 civilians, including UN workers (see report below.)

Reuters published an extensive Top Story on the affair on Dec. 7, by Diala Saadeh, under the headline, "Palestinians: Israel Faked Gaza al-Qaeda Presence." The article quoted a number of Palestinian Authority senior officials, including President Arafat, who told reporters at his West Bank Ramallah headquarters, "It is a big, big, big lie to cover [Sharon's] attacks and his crimes against our people everywhere." Information Minister Yasser Abed Rabbo detailed the case: "There are certain elements who were instructed by the Mossad to form a cell under the name of al-Qaeda in the Gaza Strip in order to justify the assault and the military campaigns of the Israeli occupation army against Gaza." Palestinian officials, according to

Reuters, promised to provide detailed evidence of the Mossad scheme at a press conference on Sunday, Dec. 8.

U.S. Ambassador to Israel Criticizes Settlements

Daniel Kurtzner, who is President Bush's Ambassador to Israel and who is Jewish, was denounced last year as "that little kike," by an Israeli rightwing fanatic in the Knesset (the Israeli Parliament), after Kurtzner dared publicly to criticize the illegal Israeli settlements in the Palestinian occupied territories. On Dec. 4, Kurtzner did it again. Speaking before an international security conference sponsored by the Herzliya Center in Israel, he reiterated that U.S. official policy is opposed to settlement activity.

Ha'aretz on Dec. 4 reports that Kurtzer said, "Settlers represent a particular point of view in Israel about the future of the occupied territories; they do not represent a national consensus. The settlements movement today is not about the future existence of the state. Israel needs to make choices and define priorities."

He then quoted from a statement by Secretary of State Colin Powell in which the latter said, "Israeli settlement activity has severely undermined Palestinian trust and hope ... and in doing so cripples chances for a real peace and security. The U.S. has long opposed settlement activity, and consistent with the report of the Mitchell Committee, *settlement activity must stop*." Kurtzer emphasized the last four words. He then spoke about the so-called road map to peace, which has not been released yet.

Immediately, Kurtzer was attacked for his statement by Adi Mintz, the director general of the Yesha Council (representative body of the settlements in the occupied territories.) Mintz charged, "U.S. Ambassador Dan Kurtzer consistently expresses positions identified with the extreme left in Israel. If Dan Kurtzer wants to interfere in Israeli politics so much, as a Jew he can request Israeli citizenship..." Mintz fumed, "I demand that he immediately stop, and if he is incapable of shutting up, I will request that the government return him home." Mintz charged that Kurtzer's statement "does not represent the current consensus in Congress and the Senate."

Report Estimates Iraq War Could Cost Up to \$2 Trillion

The American Academy of Arts and Sciences, in a report entitled "War with Iraq: Costs, Consequences and Alternatives," released last week, warns that the estimates for the cost of a possible war with Iraq coming out of the Bush Administration ignore a number of postwar costs, including the following:

- *A prolonged occupation that could cost from \$75 to \$500 billion.

- *Reconstruction of Iraq, which could cost up to \$105 billion.

- *Humanitarian assistance, at \$10 billion, minimum.

- *A macroeconomic impact that could run anywhere from \$17 billion to \$400 billion, because of the effect on the U.S. economy.

In short, in a best-case scenario, the war would cost \$99 billion, and in a worst-case, it could cost up to \$1.9 trillion. The report, however, assumes that the U.S. is in an economic recovery, however slow it might be, and therefore, a war jeopardizes the rather tepid recovery. Since, in fact, the economy is in a free-fall collapse, the effects of the factors that are cited in the AAAS report are likely to be much greater than they anticipate.

The figures presented by this study coincide precisely with the estimates released weeks ago by Lyndon LaRouche, who warned that the true costs of the war would exceed a trillion dollars!

'President Bush: Jesus Changed Your Heart. Now Let Him Change Your Mind'

A full-page advertisement in the *New York Times* Dec. 4 was titled, "President Bush: Jesus Changed Your Heart. Now Let Him Change Your Mind," and was signed by several hundred American religious leaders from the National Council of Churches; the Roman Catholic dioceses; the United Methodist Church (President Bush's denomination); the Episcopal Church; Jewish Rabbis; Islamic leaders; and a number of other Christian denominations.

The public declaration to Bush, put out by the group Religious Leaders for Sensible Priorities, said, "THIS IS NOT A JUST WAR," and that a war against Iraq "will be an unprovoked, preemptive attack on a nation which is not threatening the United States. It will violate the UN Charter and set a dangerous precedent for other nations."

The leaders reminded Bush of his own words: "You have proclaimed the crucial role of your faith in your life, and you've often said that people of faith are often 'our nation's voice of conscience.' Listen to our voices now." The text also quoted the General Secretary of the United Methodist Church's General Board of Church and Society, who said, "It is inconceivable that Jesus Christ, our Lord and Savior and the Prince of Peace, would support this proposed attack." The ad also said that leaders of President Bush's Methodist Church who oppose the war were denied access, when they sought an appointment with the President.

American Journalist Blasts Anti-Islam Warmongers

William Pfaff, the internationally renowned journalist, tells the neo-conservatives in Washington to stop calling Islam the enemy, in an op-ed that appeared in the *International Herald Tribune* on Dec. 5.

"A part of the neo-conservative intelligentsia in Washington is trying to turn the Bush Administration's 'war against terrorism' into a war against Muslim civilization and the Islamic religion," writes William Pfaff, naming Elliot "World War IV" Cohen, and Kenneth "Iraq War is a cakewalk," Adelman of Richard Perle's Defense Advisory Board in the Pentagon, as two of those who criticize President Bush for repeatedly telling Muslims that the war on terrorism, is not a war against their religion.

"The Bush critics say Islam itself is America's enemy because Islamic religion and civilization are intolerant, hostile to Western values, proselytizing, expansionist and violent," Pfaff writes, adding: "Their implicit argument is ... the Israel-Palestine conflict has nothing to do with Islam's crisis with the West. This is a novel argument likely to leave many unconvinced."

Pfaff also points to statements from some self-identified Evangelicals, that Islam is "evil"—which, he points out, "is the view of the clergyman who was part of the Bush inauguration in 2001." He adds, "These intellectuals have fallen into Samuel Huntington's pernicious fallacy," the Clash of Civilizations.

The same day that Pfaff's article appeared, Dec. 5, President Bush visited the Islamic Center of Washington, D.C., for the celebration breaking the Ramadan fast, where he made a brief statement to worshippers that honored the Islamic religion. He had previously had a number of Muslim leaders to the White House for a Ramadan dinner.

Exactly as Pfaff's article anticipated, Bush's visit prompted neo-conservatives (aka "neo-crazies") and Televangelicals to attack the President for the equivalent of "honoring shinto ... after Pearl Harbor."

Sharon Government Goes on Retaliatory Killing Spree

Young children, a 95-year-old woman, and United Nations relief workers were among those killed by Israel Defense Forces' attacks between Dec. 1-6. Washington-based Middle East experts report that the Israeli hardliners are becoming increasingly frustrated—and therefore, more brutal out of desperation—about their own failure to stop terrorist attacks against Israelis, both domestically and now abroad. The majority of IDF targets now are Palestinian civilians.

Two Palestinians were killed in an Israeli military raid in the Gaza town of Beit Lahiya Nov. 30-Dec. 1.

The next day, in Jenin, the Israeli military, with two tanks and two other armored vehicles, opened fire on a market filled with shoppers preparing for the Eid celebration that ends the holy month of Ramadan. A 15-year-old was killed and 16 were injured.

On Dec. 4, the Israeli paper *Ha'aretz* reported that in the West Bank, Israeli soldiers killed a 95-year-old woman who was travelling in a taxi cab. Two more Palestinians were killed near Hebron the same day.

On Dec. 5, the IDF assassinated Mustapha Sabah, when a helicopter gunship launched a missile that hit a Palestinian police station in Gaza City, where he was staying. The Israelis claim Sabah was an aid to Jamal Abu Samhadna, who, they say, planned the attacks which destroyed three Israeli tanks in the past year. The fact is that Sabah was a leader of Fatah's popular committees in Gaza, and his assassination points to the Sharon government's ongoing campaign to undermine efforts in which Fatah plays a major part, to arrange a ceasefire among Palestinian armed groups.

The worst incident occurred with the killing of 10 Palestinians in the first hour of an attack on the morning of Dec. 6, in the Gaza Strip, where the Israeli military used tanks, armored personnel carriers, and helicopter gunships to destroy a house. Nine men and one woman were killed, including two United Nations teachers. The Israelis justified the action by claiming that they killed five Hamas members.

Palestinian President Yasser Arafat said: "It's a new massacre. What happened is a continuation of the massacres against the Palestinian people.... This is terrorism against our children, our women and our holy shrines from Rafah [in southern Gaza] to Jenin [in the West Bank]. Isn't what they are doing daily, terrorism?"

Asia News Digest

First Continuous Trip Down the Mekong in 136 Years

Starting in Kunming, Yunnan Province, China on Nov. 2, and ending in Ho Chi Minh City, Vietnam (formerly Saigon) on Nov. 18, an 8.8-ton, 13-meter, 24-seat hovercraft boat became the first boat to travel the entire navigable length of the Mekong River *without* portage to circumnavigate numerous rapids and other obstructions, since a team of French explorers attempted to trace the origins of the Mekong in 1866, under horrendously difficult conditions.

The expedition, reported in the *Phnom Penh Post*, was a joint venture of Diethelm Travel and the Brooker Group business consultants, as a "one-off" adventure. The director of Diethelm said that its purpose "was a demonstration of the cooperative spirit among the six members of the Greater Mekong Subregion (GMS)—Yunnan (China), Myanmar, Laos, Thailand, Cambodia, and Vietnam." Appropriately, the trip began one day ahead of the first-ever summit of the GMS countries, in Phnom Penh on Nov. 3, followed by the eighth ASEAN summit Nov. 4-5.

The trip was originally planned for 1997, but was derailed by the economic crisis. In April 2001 it was delayed again by environmentalists and others. Only two paying passengers were aboard—at a cost of \$7,700 per head. Both passengers agreed, "What is the price of a dream come true?"

Indonesia/Germany Trade Science Education for Debt

Indonesia signed the first debt swap deal with Germany, trading debt for science education. Although the amounts are relatively insignificant compared to their total debt, the idea is promising. According to the Dec. 4 *Jakarta Post*, Indonesia will build more than 510 new training centers for science teachers in 17 provinces, beginning early next year, as part of a 25.6-million-euro debt-relief deal with Germany. The program will be directly linked to the ongoing Indonesian-German development cooperation project (SEQIP), which focusses on the improvement of science teaching and learning at 33,000 schools. The project is jointly run by the Germany financial institution Kreditanstalt fuer Wiederaufbau (KfW), the German non-governmental organization GTZ, and Indonesia's Ministry of Education. The deal is Indonesia's first debt swap deal and helps reduce the staggering foreign debt total, although minimally. Fifteen creditor countries have offered such a mechanism.

And in a second, near-completed agreement, Germany will waive debt of 23 million euros to help Indonesia deal with AIDS/HIV.

Khmer Rouge Leaders Willing To Testify to Truth Commission

Former Khmer Rouge Prime Minister Khieu Samphan and Nuon Chea, who was Brother Number 2 (the second most powerful position) in the Khmer Rouge hierarchy, have said they are prepared to testify before a Truth and Reconciliation Commission, based on South Africa's model, rather than a UN-backed genocide tribunal. Cambodia's sitting Prime Minister, Hun Sen, has consistently favored such a commission over a UN trial, as a better path to national recovery from a holocaust that claimed between 1.3 and 2 million citizens, or at least one out of five citizens. Western leaders, many of whom share responsibility for the genocide which occurred during the era of the Vietnam war and its aftermath, including secret wars in Southeast Asia, are anxious for a narrow, Western-controlled trial, limited to trying Cambodians, but with no interest in getting at the truth.

Negotiations for a UN trial began in June 1998, but broke down earlier this year. A new attempt to jumpstart the process is expected in December with a General Assembly vote that would give Secretary General Kofi Annan a new mandate to renegotiate the terms of a tribunal.

Khieu Samphan told *AFP* that he and other senior leaders would be prepared to give evidence to a commission on the internal workings of the ultra-Maoist regime, headed by the late Pol Pot, who held the title of Brother Number 1 in the Khmer Rouge, but warned that a genocide trial ran the risk of sparking "retaliation."

U.S. Plans New Military Operation in Philippines

U.S. Defense Secretary Donald Rumsfeld has directed the Pacific Command and Joint Chiefs of Staff to draw up plans for a sequel to the Balikatan-02 counter-terror training mission that American forces carried out on Basilan Island in the southern Philippines earlier this year, and to extend that mission to Jolo, where the Abu Sayyaf terrorist gang is believed to be regrouping.

The new training operation could involve 300 to 400 American troops, and could begin as early as January. It reflects concern that the earlier Balikatan training mission failed to quell such movements. The new operation would shift hundreds

of troops scheduled for classroom or routine training in Luzon, to a combat zone in the south, involving American special forces, Army and Marines, over much of next year, unnamed officials said.

No decisions have been made on the proposal, but Adm. Thomas Fargo, commander of U.S. forces in the Pacific, is due to meet Rumsfeld in Washington in the next few days. An unnamed White House official reported that President Bush spoke to Philippines President Gloria Macapagal Arroyo two weeks ago about terrorism issues. "The Philippine military has asked to extend the Basilan model to Jolo," said an unidentified senior American military official.

Philippines Considers Protectionist Measures for Steel, Farm Sector

The Philippines is considering a tariff shield for its National Steel Corp. (NCS,) as part of a rehabilitation scheme for the troubled company. In addition, the country's new Agriculture Secretary-designate, is looking at protectionist measures for farm production.

Manila's creditor banks, NSC's new majority shareholders, are pressing for 10-15% tariff protection on finished products to recover an edge against foreign dumping in the Philippines' local steel market. Without the tariff shield, NSC will go down the drain again, creditors said. Officials said the government is initially inclined to restore a tariff of 3% on steel imports, that it had recently cut to a mere 1%. The tariff was slapped on imported wire rods used by local steel companies to produce nails, nuts, and bolts, chicken wire and barbed wire. NSC does not produce wire rods, but competing steelmakers import them to make reinforcing bars made of steel billets, which *are* a major product of NSC. NSC used to be the country's largest billet producer, with total output of 300,000 metric tons annually. Among NSC's foreign investors is Malaysia's government-owned Danaharta, which holds a 20% stake in trust of NCS.

On Dec. 3, Philippines *Business World* reported that Agriculture Secretary-designate Luis P. Lorenzo, Jr. outlined his plans for the local farm sector, including a protectionist stand for major crops—rice, corn, and sugar. He told reporters that farmers need government support to enhance competitiveness in a liberalized trade environment. Support includes not only state programs for the farm sector, but also keeping tariff rates for major local commodities at current levels.

The government charges 50% tariff on rice imports and monopolizes rice importation. By next year, the private sector will be allowed to import rice, at a volume quota to be set by the government. Corn imports are subject to 35% duty if imported within the minimum access volume quota. Imports outside the quota are charged 65% duty. Imported sugar has a 50-60% tariff to protect the local sugar industry.

"We need to protect our farmers on two counts," Lorenzo said. "One is that it will be a temporary measure and we have to make sure we have a long-term solution that can raise productivity. Second, we have to protect our farmers as long as the country that competes ... with us continues to give subsidy."

New Light for Burma/Myanmar

Myanmar's long-term dictator Ne Win died this week at age 91 or 92, an event that could and should open up new opportunities to end the country's isolation, imposed from within and from without.

Ne Win, one of the "Group of 30 comrades" of Burma's independence leader, Aung San, seized power in 1962, launching "Burma's road to socialism," which included an unhealthy mix of numerology and bad economics. On several occasions, he outlawed currency notes denominated in "unlucky numbers" and multiples thereof. Such practices thoroughly undermined the prospects of Burma, which in the 1960s, along with Indonesia, was considered one of the nations with the greatest potential for rapid economic development in all of Southeast Asia.

Ne Win was "retired" in 1988, after one of his "unlucky currency" revisions, shortly before the student demonstrations which triggered elections won by the party of Aung San's daughter, Suu Kyi. However, the results of the election won by Suu Kyi were ultimately annulled. Since his forced retirement, Ne Win's family has retained significant clout, up until Ne Win's daughter, son-in-law, and three grandsons were charged with an attempted coup d'etat; the men were sentenced to death sentence on Sept. 26, 2002.

Whatever the fate of Ne Win's family, Burma is a bit freer today.

AFRICA NEWS DIGEST

Netanyahu: Kenya Attacks a 'Golden Opportunity' for Expanding Imperial Wars

In less than a week's time after the dual terror attacks in Mombasa, Kenya on Nov. 28, which killed 10 Kenyan citizens and three Israeli tourists, the blame was placed—by media reports quoting officials in the U.S., the United Kingdom, and Israel—on Osama bin Laden's al-Qaeda, on Iraqi terrorists, on a previously unknown "Army of Palestine," and on the Lebanon-based Islamist group Hezbollah. But the common thread of all these reports is that the warhawks in the U.S., Britain, and Israel were using the attacks as an opportunity to push the "preemptive war" doctrine of Vice President Cheney's group in the U.S. Administration, and the Israeli hawks around Israeli Prime Minister Sharon (see article in [INDEPTH](#)).

After a series of news reports, President George Bush said, on Dec. 4, "I believe that al-Qaeda was involved in the African bombings, in Kenya." However, a few hours later, a near-denial came from White House Press Secretary Ari Fleischer, who emphasized, "I think if the President thought it was definite, he would have said, 'It is definite.'" Nonetheless, American neo-conservatives linked to the Israeli right wing—including some in official positions—were insisting that the "al-Qaeda attack" in Kenya against Israel "proves" Palestinians are part of the Sept. 11 conspiracy.

A leading Israeli newspaper, *Ha'aretz*, had reported on Nov. 29 that an unknown group, the Army of Palestine, also took responsibility for the attack via Al Manara, the TV station of Hezbollah in Lebanon.

But *Ha'aretz* on Dec. 4 also reported, "Western intelligence sources say that a Kenyan Muslim who appears on the FBI's list of the 22 most wanted terrorists in the world was behind the attack.... Faisal Abdullah Mohammed is believed to be hiding in Somalia, the sources say."

The day before, the perpetrators were Iraqis, again, according to a *Ha'aretz* article by the same author, Yossi Melman, quoting the *Daily Nation*, a Kenyan newspaper.

At the same time, accusations were flying that the Kenyan government had suffered an "intelligence failure," in not warning about an impending attack, but the government there claims that warnings were passed along to foreign governments, including the United States. In Israel, the Mossad has come under criticism for not disclosing it had received prior warnings of possible terror attacks in Mombasa, Kenya. General Yossi Kuperwasser, head of the Israeli military intelligence service, told a parliamentary committee that the Mossad had "received advance information on planned al-Qaeda attacks in Africa and, notably, Mombasa in Kenya," reported *Agence France Presse* on Dec. 5.

It is well-established that Israeli utopian warmonger Foreign Minister Benjamin Netanyahu, is anxious to use the Kenya attack as leverage to enable his cronies in Washington (Richard Perle, Assistant Secretary of Defense Doug Feith, and others in the Wolfowitz cabal), to get an okay for Yassir Arafat and *all* Palestinian leaders to be put on the "preventive assassination" list. Netanyahu called the Kenya attack "a golden opportunity," reported the New York-based Jewish

newspaper *Forward*.

On the U.S. side, Kenya is already the site of a major U.S. military buildup in East Africa, related to positioning for the war against Iraq. In addition to the reports of 2,000 U.S. military forces in Djibouti, U.S. Marines and Kenyan troops were engaged in joint exercises, Operation Edged Mallet, off the Kenyan coast at the time of the Mombasa attacks.

Bush Pushes U.S./Kenya/Ethiopia 'Cooperation' To Stop Terrorism

On Dec. 5 in Washington, President Bush met with President Daniel Arap Moi of Kenya and Prime Minister Meles Zenawi of Ethiopia to discuss cooperation with the U.S. against terrorism. In remarks after the meeting, he called the two leaders "people we can count on," and promised, "If we get wind that somebody is thinking about doing something to Ethiopia, we're prepared to work with the Ethiopian government to disrupt any plans."

Bush is sending Secretary of Defense Donald Rumsfeld to East Africa this week, and Bush may visit Kenya when he goes to Africa next month.

Before going to Washington, Moi stopped in London, to meet British Prime Minister Tony Blair.

Questions have been raised about the unusual format of having President Bush simultaneously meet two foreign Presidents. However, such a meeting fits the pattern of U.S. plans for a wider, possibly permanent, East African military presence that may also involve Eritrea, whose President was also invited to the Dec. 5 meeting. President Moi's Washington trip was scheduled before the Nov. 28 terrorist attacks in Kenya.

It should be noted that elections are scheduled in Kenya for late December, the first expected change of government after President Moi's tenure in office for over two decades.

Kenya Refuses To Let Israel Take Over Investigation

Kenya refuses to turn over physical evidence to Israel in the Nov. 28 attacks on the Israeli-owned hotel and jetliner in Mombasa, a largely Muslim city. The Israeli authorities want parts of the vehicle used to bomb the hotel and the launchers and missile casings from the failed attack on the jetliner. "None of this evidence is going back to Israel. This evidence is our responsibility," said Charles Jamu, a Kenyan bomb specialist, on Dec. 1, according to *Associated Press* correspondent Matthew Rosenberg.

"American and Israeli leaders both questioned Kenya's ability to conduct a thorough probe," Rosenberg writes, with Raanan Gissin, spokesman for Israeli Prime Minister Ariel Sharon, saying the Kenyans weren't prepared for the investigation. Gissin said Israel had the right to take preemptive action against terrorist threats. "For example, if we had a warning from Mombasa, we could take action ... to prevent them from taking those actions. This is something that is required, since we're not alone in this war."

On Dec. 1, *BBC* reported that Kenyan authorities were saying that no links to al-Qaeda had been established from investigations of the first 12 people detained in the Mombasa attacks. But *BBC* was reporting that unnamed U.S. officials were already saying that they think the Somali-based Al-Ittihad al-Islamiya (AIAI) may have been responsible. AIAI "is a prominent militant organization in the Horn of Africa with links to Osama bin Laden's al-Qaeda network," says *BBC*.

War in Ivory Coast Becomes Spreading Chaos

Two new rebel groups appeared in Ivory Coast about Nov. 28, after the ceasefire between the government and the Cote d'Ivoire Patriotic Movement (MPCI) broke down over the preceding days. Each of the new groups—the Movement for Justice and Peace (MJP) and Ivorian Popular Movement of the Great West (MPIGO)—took credit for taking the city of Danane Nov. 28, just 20 kilometers from the Liberian border. MJP then captured Man, the chief city in the West. MPIGO attacked Toulepleu, south of Man, Nov 30.

There is a sharp contrast between the first rebel movement, the MPCI, and the new ones. The MPCI's demand is that President Laurent Gbagbo step down, and that new elections—in which northerners are allowed to vote—take place within six months. The MPCI's policy has been to build support among the northern population by forbidding looting and rape. Apparently, the policy is being widely enforced: They are said to pay for everything they require. (However, the corollary—"It is clear that the [MPCI] rebels are getting funds from somewhere"—was noted by *BBC's* correspondent Paul Welsh Nov. 30.)

As for MJP and MPIGO, they say they are fighting to avenge the murder of Gen. Robert Guei, whose tribal homeland is the area they now occupy—by overthrowing President Gbagbo. Welsh says MPIGO "appears to be led by one of the late General's sons." There is not the same discipline in this case: "There are reports from Danane and Man of drug-taking and looting among the rebels there. They are said to be scruffy and undisciplined."

Also indicative was a reaction from this quarter after French troops engaged them in combat Nov. 30, to get access to the Man airport: Gato Guillaume Prospere, who said he was a rebel commander, called *BBC* to say, "If France continues to attack our positions, they will raise the specter of Rwanda here. They have no right to attack us and we will react," *BBC* reported Dec. 1.

Some of these men came over the Liberian border; some have accents suggesting a Sierra Leone origin. Liberian Information Minister Reginald Goodridge said it was possible that Liberian mercenaries were involved, but the Liberian government does not sanction them, according to *The News* of Monrovia Dec. 2.

Meanwhile, French Foreign Minister Dominique de Villepin announced the departure of Alassane Ouattara, the opposition leader representing the North, with President Gbagbo's permission, according to *BBC* Nov. 27. Ouattara is a former deputy director of the IMF with extensive ties in the "international community." He had been sheltered in the French Ambassador's residence in Abidjan and was helicoptered out with French military protection.

De Villepin was in Abidjan for talks with Gbagbo to revive negotiations between the government and the MPCI.

WTO Stalls on Allowing Third World Right To Produce AIDS Medicines

As of Nov. 29, the World Trade Organization talks on suspending patents of drugs desperately needed in developing countries, reported by *EIW* last week, have broken down, according to *BBC*. The talks in Geneva would allow developing countries to make or import cheap versions of certain drugs otherwise protected by patent under the WTO.

The idea was agreed in principle at WTO talks a year ago. Drugs for HIV/AIDS, malaria, tuberculosis and other diseases are included. Delegates from African countries say "the terms now being discussed are more narrow," according to *BBC*. But Eduardo Perez Motta, chairman of the talks, said all parties were committed to reaching an agreement by the end of December.

The intransigence of the WTO and the pharmaceutical giants only worsens a policy of genocide against Africa and the developing sector, carried out under the rubric of free trade, raw materials looting, and IMF conditionalities—as *EIR* has

repeatedly documented. In contrast, *EIR* founder and U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche, appearing in Mexico in early November, declared the IMF to be bankrupt, and called for the immediate global solution of a New Bretton Woods financial system.

South Africa Plans Universal Treatment for HIV-Infected

South Africa is positioning itself to extend anti-retroviral triple therapy to all infected with HIV, reports the *Sunday Independent* on Dec. 1. Government, unions, religious leaders, community organizations and AIDS activists—working through the National Economic, Development and Labour Council (Nedlac)—have reached an agreement on a unified, national approach to HIV/AIDS, reports the newspaper.

Business sector negotiators have not yet given their final approval to the wording, but little change is expected. The agreement—covering prevention, treatment, and targets for reduced incidence—will be binding on the government.

"One of the biggest breakthroughs," writes the *Sunday Independent*, "is an understanding that could see anti-retroviral triple therapy being made available in the public sector some time next year. No deadlines have been set.... However, there is an agreement that the parties ... will return to negotiations after February next year, once a report by the departments of health and finance about the affordability of anti-retrovirals has been completed. Then new discussions will be held about the logistical aspects of providing triple therapy to the estimated 4.7 million South Africans living with HIV."

Recall that South African President Mbeki shocked and angered the Anglo-American powers in spring 2000, by refusing to exhaust the country's budget by spending everything on AIDS medications at astronomical prices. He pointed out that poverty, malnutrition, and lack of public health and sanitation infrastructure also had to be dealt with, to successfully address the scourge. He was backed in this by the Congress of South African Trade Unions (Cosatu). When the pharmaceutical octopus announced that it would reduce the prices of AIDS drugs (somewhat), Mbeki responded that the offer was not nearly good enough to make the drugs affordable in Africa.

Now that World Trade Organization negotiations may be about to permit developing-sector production and distribution of generics of AIDS medications and some others, South Africa is preparing to make sweeping use of them.

This Week in History

December 9-14, 1790

December 13, 1790 was the day on which First Treasury Secretary Alexander Hamilton wrote the second of his seminal documents establishing the institutional framework for the American System of Economics. It was entitled *The Second Report on the Further Provision Necessary for Establishing Public Credit (Report on a National Bank)*. The first *Report on Public Credit* had established a sinking fund and the assumption of debts incurred during the war; the third, to be issued approximately one year later, was the celebrated *Report on Manufactures*.

These three documents must be understood as being of a piece, that piece being the establishment of a sovereign republic, with sound finances and public credit, and with the means for expanding its industry and commerce for the benefit of its population. They can only be understood from the standpoint of Hamilton's **intention**, the intention of implementing a Leibnizian nation able to provide for the nation's necessities, and to "procure the true happiness" of its people. Hamilton was willing to borrow **forms** of organization from anyone, as long as they could be used to reach this goal.

That said, we shall focus this report on the National Bank, which was indeed established, pursuant to Hamilton's recommendation, and which became, as a concept, a cornerstone of the American System tradition, that was continued up through Abraham Lincoln's Presidency.

Hamilton began by outlining three major "advantages" to be gained from the creation of a National Bank. Most important was: "the augmentation of the active or productive capital of a country." "It is a well established fact, that Banks in good credit can circulate a far greater sum than the actual quantum of their capital in Gold & Silver," Hamilton wrote. Thus, "by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, as it is clearly deducible in theory."

As the remainder of the report makes clear, the National Bank is not intended to help the government, as much as it is to help the citizens in their private, productive enterprise. Indeed, the use of government debts in providing the initial capital for the Bank, made it even more obvious that the Bank was at the service of the economy as a whole.

Only after emphasizing this, does Hamilton mention the other two advantages of a National Bank: first, greater facility to the government in obtaining pecuniary aids, in the case of emergency; and second, the facilitation of the payment of taxes.

The rest of Hamilton's *Report on a National Bank* is devoted to answering the critics of the plan, and to laying out the principles of organization of the bank itself. From studying history, we know that the major domestic opponents who were making these criticisms, came from the two groupings who opposed Hamilton's intention of turning the United States into an industrial nation. These were, on the one hand, the New England merchants, who followed Adam Smith's dictum of making **money**, not wealth, by buying cheap, and selling dear. The other opponents were the Southern plantation oligarchy, or their spokesmen, who, while often putting their objections in populist language, were seeking to hang on to their aristocratic way of life.

The criticisms Hamilton dealt with, boiled down, essentially, to charges of usury, over-lending, and the impact such a bank, which would establish a national paper currency, would have on the accumulation of gold and silver. What the young Treasury Secretary showed was that, in fact, a sound national banking system would reduce usury, because it would ensure there was no dearth of credit, and would tend to reduce rates of interest. He also argued that over-lending was unlikely. Most important, he insisted that the bank would actually increase the amount of gold and silver available, because it would improve the actual wealth of the economy, which depends upon the production of labor and industry.

This last argument underscores Hamilton's central concern: that the Bank was essential to promoting the real content of national sovereignty, the growth of its agriculture, commerce, and manufacturing (then virtually non-existent). As he put it in one spot, "Public utility is more truly the object of public Banks, than private profit."

By the time the First National Bank was de-chartered, in 1810, Treasury Secretary (and Swiss agent) Albert Gallatin, had succeeded in subverting its purposes. But the Second National Bank, chartered in 1816, took up Hamilton's intent, to the point that the U.S. surged ahead in industrialization in the late 1820s. The British used their stooges to kill it in 1832, with the totally false argument that it represented the major monied interests, against the population. In fact, the elimination of the bank permitted private banking interests to destroy the credit system, and put the U.S. economy through the wringer—with the exception of the period of Abraham Lincoln, who used his executive powers to create national credit through the Greenback system.

Thus, perhaps it was no coincidence, that the British agents who pushed through the establishment of the central bank called the Federal Reserve—not to be confused with the National Bank of the United States—in 1913, did the deed on Dec. 13. They want you to confuse the Federal Reserve, a private bank for the oligarchy, with the U.S. National Bank, a public-private bank for promoting national economic growth. Don't. Read Hamilton and LaRouche on national banking, and the

physical economy, and understand that banking, as conceived by them, is properly a servant of the promotion of the productive powers of labor, through the exercise of national sovereignty.



Links to articles from *Executive Intelligence Review**.

[*Requires Adobe Reader®.](#)

Feature:

United Joins the Scrap Pile; Air Travel Gone Without LaRouche Plan

by [Anita Gallagher](#)

United Airlines, the second-largest airline in the United States, is on the brink of a savage Wall Street asset-stripping bankruptcy, with the Airline Transportation Stabilization Board's 2-1 vote on Dec. 4 to deny United a \$1.8 billion Federal loan guarantee.

Amtrak Is Barely Hanging On

by [Marcia Merry-Baker](#)

Amtrak, the American national rail passenger system, is barely surviving on stop-gap infusions from a \$300 million bailout package wrested from Congress and the Bush Administration over the Summer.

Economics:

Eurasian Cooperation Offers Future to World Economy

by [Mary Burdman](#)

Russian President Vladimir Putin made an extraordinary diplomatic trip on Dec. 1-5, to China, and from there, directly to India. What was remarkable about these state visits is that they brought the three biggest nations of Eurasia into coherent diplomatic initiatives on the critical security and economic development problems they all face.

Koreas Finish Rails and Roads; Opposition to War Talk Builds

by [Kathy Wolfe](#)

South and North Korea in late November opened new venues for peace through economic development in Eurasia, continuing brisk work on the Trans-Korean Railroads, which are the linchpin of the 'Tokyo/Pusan to Paris' New Silk Road.

LaRouche: U.S. Food for Peace to North Korea

by [Kathy Wolfe](#) and [Marcia Merry Baker](#)

Lyndon LaRouche, Democratic Party Presidential pre-candidate in the 2004 elections, called on President Bush on Nov. 29 'to conduct an immediate food-relief effort into North Korea, with absolutely no political strings attached. . . .

Global Economic Crisis Hits Food Production

by Paul Gallagher

Worldwide food production, falling per capita for several years, is likely sinking in absolute terms as of 2002, stricken by the global economic depression in the form of severely depressed commodity prices, which have been dropping for the last seven years.

Philippines Confronts 'Argentine' Crisis

by Martin Chew Wooi Keat

The denial of economic reality is paving the way for an Argentina-style economic crisis to come to the Philippines—the result of years of looting by the International Monetary Fund.

International:

Exposed: Dirty Money Schemes To Steal Election for Sharon

by Jeffrey Steinberg, Anton Chaitkin, and Scott Thompson

The One Jerusalem Foundation posted a press release on its website (www.onejerusalem.org) in June, reporting on the visit to Irving, Texas by Jerusalem's Mayor Ehud Olmert. ...The One Jerusalem release failed to mention that almost all of the Christian Zionists who joined in the bonding exercise with the Likud, have also teamed up, since the mid-1990s, with Rev. Sun Myung Moon's dirty-money and sex cult, the Unification Church.

Kenya Terror: Where Will Sharon Retaliate?

by Dean Andromidas

Following the twin attacks targetting Israeli tourists and an Israeli airliner in Kenya on Nov. 28, calls for retaliation using "options that up until now have been unacceptable to public opinion," are being made by leading members of the government of Israeli Prime Minister Ariel Sharon.

Britain: The Case of Desperado Michael Gove

by Mark Burdman

A good clinical example has come to light, during the past days, of the unhinged state of mind of those Anglo-American figures whom Lyndon LaRouche has characterized as 'desperadoes.'

Uribe and the Specter of Fujimori in Colombia

by Maximiliano Londono Penilla

Despite the brutal austerity programs decreed by the International Monetary Fund (IMF) for Colombia, thus far with the consent and cooperation of President Alvaro Uribe Vélez's economic cabinet, the Colombian population still maintains the hope that President Uribe represents a phase change for the history of the country—at least in so far as beginning the process of overturning the narco-terrorist empire that has reigned in Colombia for nearly 25 years.

Pressure on Germany To Join War Increases

by Rainer Apel

German Chancellor Gerhard Schröder's repeated statements against the Rumsfeld-Cheney drive for war against Iraq, during the last three weeks of the German election campaign in September, were not well-received (to put it mildly) at the Pentagon, nor were they forgotten in the meantime.

Southeast Asia Rejects Australia Strike Policy

by Mike Billington

U.S. Deputy Sheriff-wannabe John Howard, otherwise serving as the Prime Minister of Australia, triggered a firestorm of protest among his Asian neighbors with his Dec. 1 televised call for the modification of the UN Charter to allow pre-emptive attacks against terrorists in other nations.

An Electoral Shake-Up

LaRouche's associates in the Citizens Electoral Council scored a breakthrough in the Victoria state elections.

A minor earthquake erupted in Australian politics on Nov. 30, in the Victoria state parliament elections.

National:

Ashcroft, Bush Administration Trash Constitutional Protections

by Edward Spannaus

The Bush Administration, with help from its allies in Congress and in the Federal courts, is systematically dismantling Constitutional protections and the limitations on domestic intelligence operations which have been built up over the past quarter-century and, in some cases, for over 50 years.

Interview: Christopher Pyle

Threat of the 'Total Information Project'

Christopher H. Pyle is a former Captain in U.S. Army Intelligence, who in 1970 first exposed the existence of the Army's domestic surveillance program directed at American citizens.

Military Transformation

The Future of Warfare, or Recipe for Disaster?

by Carl Osgood

The current direction of U.S. military strategy was signaled by a September 1999 campaign speech that George Bush delivered at The Citadel military school in South Carolina.

All rights reserved © 2002 EIRNS

[top of page](#)

[home page](#)