

[return to home page](#)

This Week You Need To Know

'Mr. Sharon, You Are in Purdah...'

At the Schiller Institute's Summer Academy in Frankfurt on Aug. 17, a Lebanese youth posed this question to *EIR* founding editor Lyndon H. LaRouche, Jr., a candidate for the 2004 Democratic Presidential nomination: How would you, as President, achieve peace in the Mideast?

"If I were President of the United States now," LaRouche said, "or can exert the influence I wish to exert now, the President of the United States—even this dummy that we've got in there, now—will *step* on the Sharon problem, and say, 'No more.' And the minute Sharon says, 'No'; 'Okay buddy, your water's shut off. You're shut down. You're on your own. No more U.S. backing. You're in *purdah*.' We can have no peace in the Middle East, unless the President of the United States has the courage to step on Sharon."

Israel was "artificially created into a nuclear power, not for the benefit of Israel, but it was created as part of the process of bringing the right wing to power in Israel, around the Likud," LaRouche explained. "Now, that doesn't mean that Benny Begin, the son of Menachem Begin, is the same thing as Sharon," LaRouche said. "But, within this, people like Sharon, or Benjamin Netanyahu, or Shamir—these people are monsters; they are not real. They are monsters, like Hitler.

"So, you have a hand grenade: It's called Israel, under its right wing, which has a nuclear arsenal, which is used as the excuse for saying, 'If we don't do it ourselves, the Israelis will do it.' That's the way it's worked in the Middle East, so far. So, we have Israeli fascist blackmail, ostensibly on Europe and the United States, to force the United States to do, what some people in the United States want to do anyway. And, the case of the Desert Storm war was an example of that.

"So therefore, because of that, unless the United States *steps* on the Likud, the things that Sharon represents, and says, ... 'If you don't take the Road Map, every penny is shut off. Every privilege you have, is shut down. You are bankrupt already: Enjoy it in Hell.'

"If the United States President had the guts to do that—and he would get the backing of Europe, however shaky the Europeans would be—we would have the means for bringing about an enforced peace in the Middle East. That does not mean complete justice; it means an enforced peace. It means this horror-show stops. If we do that, that opens the door for things that need to be done.

"If it is not done, not only do we have the danger of Middle East war—which is very grave, right now; the Israelis are threatening Syria. Therefore, maybe Syria will be attacked by the United States, because the Israelis want it done. That's not the real reason, because Israel is a hand grenade. The minute it spends its nuclear weapon, Israel will begin to cease to exist, by chain-reaction effects. So therefore, if Israel spends the hand grenade, it's like a hand grenade going off! And, it kills the people against whom it's thrown, but it also kills the hand grenade itself.

"But, if we bring that under control, then it becomes possible to deal with the so-called 'West Asia flank' of Eurasia as a whole. Right now, the West Asia flank is two things: It is preventing us from dealing with the Africa issue, as we could through Egypt. I mean, there are lots of things that could happen in Africa, if we could eliminate this West Asia problem. Secondly, the West Asia instability is a threat to Iran; it's a threat to Turkey; it's a threat to the Caucasus; it's a threat to South Asia. It is also an area of potential development. Presently, the world is dependent upon oil.... For the next 80 years, the ability to get petroleum out of the Gulf area, is going to be a determinant of the present technology—unless we use nuclear energy—a determinant of what happens in the world at large.

"So therefore, this being the strategic implication of West Asia, *if we don't shut that hand grenade down*—put the pin back in, and put it in the box—there's no hope for that part of the world. And, given the present situation in the world, that situation tends to be the detonator, of all kinds of hell, which is just waiting to bust loose."

Links to articles from *Executive Intelligence Review**

[*Requires Adobe Reader®.](#)

Feature:

RE-CREATING THE REPUBLIC

How Abraham Lincoln Organized Victory For the Union

by H. Graham Lowry

Historian Graham Lowry, a longtime associate of Lyndon LaRouche, and author of *How the Nation Was Won: America's Untold Story, Volume I, 1630-1754*, died on July 28. During the past year, despite worsening illness, he gave several classes to regional offices of the LaRouche movement, on his ongoing research on Abraham Lincoln. He was particularly eager to impart to the burgeoning LaRouche Youth Movement, the real history of their nation—the history that they are not taught in schools, where they learn that the Founding Fathers were slaveholders, and Lincoln was a racist who only wanted to save the Union and didn't really care about abolishing slavery.

- Lincoln on Slavery: The Dred Scott Decision

In 1857, the U.S. Supreme Court passed its infamous Dred Scott decision, allowing a slaveholder to cross state lines, into a free state, to reclaim his 'property'— a former slave who had gained his freedom. Chief Justice Roger Taney wrote in his opinion on the case, that the Declaration of Independence did not apply to the Negroes, who 'had no rights that the white man was bound to respect.' Lincoln, in a speech in Springfield, Illinois, on June 26, 1857, had this to say on the matter...

Graham Lowry, A Life in History

by Pamela Lowry

One of the things that most delighted Graham in his youth, was to stretch himself back into history to see how far he could reach. As a child, he had met his great-aunt Iowa Lowry, who, when she herself was a child, had stumped for Abraham Lincoln's election as President. Whom might she have known, he wondered, some superannuated relative perhaps, whose memory went back to the American Revolution, or at least to George Washington's Presidency? It was a wonderful thought.

- Graham Won Our Hearts For All Our Nations

Victor Foloyan, of the LaRouche Youth Movement in Baltimore, wrote this eulogy for a memorial service for Graham Lowry, held on July 31 in Purcellville, Virginia, where Lowry lived.

Economics:

Parasitical U.S. Economy Reaching End of Bailout Road

by John Hoefle

You almost have to feel sorry for poor Federal Reserve Chairman Alan Greenspan, the man who was knighted by the Queen of England for service to the British Empire, and who was declared by no less an authority than the blowhard former Senator from Enron Phil Gramm, to be the greatest central banker in the history of the world.

Blackout Means: Rebuild The Transmission Grid

by Marsha Freeman

The Great Blackout of 2003 has finally made many millions aware of what had been known by the electric utility industry, regulators, and other professionals for more than a decade: That underinvestment in the nation's transmission infrastructure, while stress on the system was rising, due to 'electricity deregulation' policies, has dramatically increased the risk of catastrophic failures...

Mexico's Fox Sends College Grads Out To Sell Tacos on the Street

by Ronald Moncayo Paz

On the evening of July 2, 2003, the night of Vicente Fox's Presidential victory in Mexico, the youth who were said to have been the deciding factor in the vote, shouted excitedly to the President-elect, 'Don't fail us! Don't fail us!' Theirs were false hopes, however, as the Fox government's economic policies proved to be an aggressive continuation of the anti-national, and even fascist, policies of the three previous administrations, which EIR has been warning against ever since the signing of the North American Free Trade Agreement in 1994.

Demand To 'Float' China's Yuan Could Crash Dollar

by Mary Burdman

The second-biggest question in all the recent months' hoopla, over the United States' demand that China drastically revalue its currency upward against the bankrupt dollar, is whether U.S. Federal Reserve Chairman Alan Greenspan and Treasury Secretary John Snow, are really such fools as to think that all their bloviations before the U.S. Congress will have any effect where it matters, in Beijing.

Iran, Russia, and India Build N-S Rail Corridor

by Muriel Mirak-Weissbach

While the attention of the world press has been rivetted on accusations that Iran is developing nuclear weapons, the Islamic Republic has actually been busily developing capabilities of a more important sort, contributing to establishing regional peace. Continuing its policy introduced in 1991, Iran has been concentrating on expanding its railway connections to the newly opened, former Soviet territories of Central Asia and the Caucasus, and thence, to Asia, along the new Silk Road.

Ingersoll Bankruptcy: Are U.S. Machine Tools Becoming Extinct?

by Richard Freeman

With the decline of the U.S. machine-tool design sector, which is gathering force, the United States economy does not stand a chance of survival. The truth of this was brought home by the April 22 bankruptcy filing by Ingersoll Milling Machine Co., of Rockford, Illinois, the machine-tool design company which has a highly developed capability possessed by only a few others in the world.

International:

The 'British Watergate' Can Bring Down Blair and Cheney

by Mark Burdman

Very damaging inside testimony by British Prime Minister Tony Blair's own chief of staff on Aug. 18, signalled that Britain's establishment has made the decision to axe Blair, precisely over the corrupt efforts he made to falsify intelligence to justify U.S. Vice President Dick Cheney's 'preventive war' doctrine being applied to Iraq.

Bombing of UN, Shows The U.S. Must Withdraw

by Muriel Mirak-Weissbach

If there is any clear message in the bombing of the United Nations headquarters in Baghdad on Aug. 19, it is that the United States occupying power has lost all control over the situation, and must get out as soon as possible. The United States and its pro-consul Paul Bremer must leave, and the UN must be authorized fully to take charge of rebuilding the nation, in order to attempt to prevent the worst from happening.

Bombings Pave Sharon's Way To Another War

by Dean Andromidas

Hours after a Palestinian suicide bomber with over 100 kilos of explosives blew apart a Jerusalem bus filled with ultra- Orthodox Jewish families on Aug. 19, killing 20 people and wounding scores, Israeli Prime Minister Ariel Sharon and his generals launched 'Operation Defensive Shield 2.' Israeli troops were sent into Nablus, Jenin, and other West Bank cities and towns, with orders to 'resume' targeted assassinations, which had never really ceased.

National:

Ashcroft Terror Links Expose 'Patriot Act' Hoax

by Michele Steinberg

Attorney General John Ashcroft was 'visibly angered,' reported Reuters on Aug. 21, when a supporter of Democratic Party Presidential pre-candidate Lyndon LaRouche in Detroit, Michigan exposed Ashcroft's collusion with Vice President Dick Cheney in orchestrating a 'new 9/11' terrorist atrocity to justify ramming through further police state measures known as the the 'Patriot II' and 'VICTORY' Acts.

'Beltway Snipers' Trained on Video Games

by Don Phau

Evidence now points to the fact that the accused 'Washington Beltway snipers,' 18-year-old Lee Malvo and 42-year-old Army veteran John Muhammed, were motivated and trained on popular 'point-and-shoot' video games. The two are now being held in Virginia, awaiting trial there and in other states, in the murder last year of 13 people.

Cheney-acs Scheme for Nuclear War In Secret Gathering at Stratcom HQ

by Jeffrey Steinberg

Approximately 150 White House, Defense and Energy Department officials, weapons laboratory scientists, and private contractors met behind closed doors at the Offutt Air Force Base headquarters of the U.S. Strategic Command near Omaha, Nebraska on Aug. 7, to accelerate plans for a new generation of American nuclear weapons to be integrated into the U.S. offensive arsenal.

California: Davis Comes Out Fighting, Arnie Morphs Into 'Insider' Puppet

by Harley Schlanger

With the national political spotlight focused on California, Gov. Gray Davis came out swinging in a speech at the University of California at Los Angeles (UCLA) Aug. 19, fighting to defeat the efforts of neo-conservatives and anti-government fanatics to throw him out, via a recall election. Given up for dead by analysts and activists alike since Arnold 'The Terminator' Schwarzenegger tossed his helmet into the ring, Davis offered a strong defense of his nearly five years in office.

Ashcroft Hits the Road To Save Patriot Act

by Edward Spannaus

With the USA/Patriot 'anti-terrorist' Act under growing attack from all sides, Attorney General John Ashcroft has begun a nationwide speaking tour to selected audiences ('no questions, please'), as part of a frantic mobilization to save this gestapo-like law, and to lobby for still more police-state powers.

Christian Zionists 'Amen' Forcing Palestinians Out

by Edward Spannaus

It ought to be a scandal of major proportions, that an Israeli government official who advocates the forcible transfer to Jordan and Egypt of the

Palestinians in the the West Bank and Gaza, has just toured the United States, welcomed by leaders of the Christian Zionists, who mislabel themselves 'Evangelicals.'

LaRouche Youth Movement

LaRouche Youth Sets Out To Smash Terminator, Save Gray Davis

On Aug. 12, about 30 organizers from the LaRouche Youth Movement descended on the Democratic Party's Los Angeles County Central Committee meeting, wearing picket signs, and distributing LaRouche Presidential campaign leaflets, to bring news of Lyndon LaRouche's demand to smash the recall of California Governor Gray Davis, and save the nation.

LaRouche has stated that the recall battle in California is a determining fight for the 2004 elections, and for universal history, because it is an attack by the Synarchist International against the government of the United States, intended to prepare the way for fascism. LaRouche Youth Movement organizer Nick Walsh announced to all those attending the L.A. County Central Committee meeting, "The LaRouche Presidential campaign's Youth Movement will be leading the fight, on the streets, to smash this recall. All of you should start thinking bigger, about the global implications of what's going on here in California, and come out on the streets with the LaRouche Youth Movement to really smash this thing." As LaRouche said, his campaign is going to teach the Democrats, once again, how to fight.

Meanwhile, the LYM in California is growing so rapidly, and its organizing impact has become so vital nationally, that the LYM leadership in the state has decided that, for this year's Labor Day conference of the Schiller Institute and ICLC, it will be necessary to have *two* conference sites, one in the Washington, D.C. area and one on the West Coast, in order to be able to keep the political pressure up in the California mobilization.

Schiller vs. "Living Stage Fright": LYM Goes to Congress

by Nick Feden, LaRouche Youth Movement

"OUR GUARD IS ALL FOR NOTHING," bellowed Abdul M., displaying simultaneously true *bel canto* projection and the use of the lunge in drama. Abdul M. and Brian M., both from the Philadelphia LYM, demonstrated, through "The Hat" scene in Schiller's *Wilhelm Tell*, the principles of Classical drama necessary to uplift an audience. There has been no point in history when these principles have been needed so desperately, and no audience more in need of this type of creative uplifting than Abdul's and Brian's audience—staffers in the California offices of the U.S. House and Senate.

On Wednesday, Aug. 13, the East Coast LaRouche Youth Movement hit Washington, D.C. with Lyndon LaRouche's latest leaflet, "A Case of Living Stage Fright," which went through the lessons to be learned from the California gubernatorial circus—lessons necessary to save the Republic. We began the morning with a deployment to all of the major metro stops, where we got out 5,000 to 6,000 leaflets. After the metro stops, most groups set up tables on the street, while two went to Congress.

Wednesday's lobbying marked an inflection point in the power of the LYM over the Congress. Rather than attempting to merely bombard them with facts, or even to have a dialogue with LAs (legislative aides) who have had their creativity almost completely destroyed by their constant whoring, the organizers decided to have some fun. Abdul M., Dave M., Brian M., Stan X., and Nick F. decided to experiment with the use of the principles of drama to return the aides to their natural human state of creativity, thus allowing a dialogue to take place on its proper level—on the stage of continuous world history within the creative imagination of both the organizers and the aides. This allowed us to—as Lyn [LaRouche] said must be done in his leaflet "A Case of Living Stage Fright"—situate the players, such as Cheney, Arnie, Ashcroft, et al. in their true synarchist roles in a great tragedy occurring on the stage of world history.

The mission was to help the aides to see themselves as world-historic individuals, and cure them of their "Little Me" syndrome. (In two cases, this resulted in aides that wanted more information about the conference—one of whom left his cell phone number!) Nick F. told every office that if they wished to overcome their parochial disease, they should begin to immediately print out dramas such as Schiller's *Tell*, or Shakespeare's *Hamlet* or *Richard III*, and work through different scenes together to become conscious of how to convey to an audience the tragic flaw of the individual who can't overcome the chains of popular opinion and situate themselves in the world-historic reality.

Abdul M. and Brian M. conveyed this idea brilliantly to the aide of Senator Feinstein (D-Calif), as they set up the historical situation in which "The Hat" scene is situated and then performed the scene, which the excited aide described as "fantastic!" In Senator Boxer's office, Dave M. showed that he had begun to conceptualize his own role on this world-historic stage and, although he's still new to this, took the initiative in laying out the conceptual crisis before the aides of Senator Boxer (also D-Calif).

The potency of this lobbying effort is actually even greater than presented here, because it occurred in a geometry defined by the LYM's acceptance of the challenge of Lyn to bring 750 young people to the ICLC Labor Day Conference. In order to be able to achieve such a goal, the LYM must continually visualize more clearly their role in this world-historic tragedy, which is immediately defined by the lunge of Lyn's July 2 webcast, and thus have a greater power to overcome any cases of "living stage fright."

Mexican Youth Are Campaigning For Their Country's Future

The International LaRouche Youth Movement in Mexico City, currently comprised of about a dozen university-age people, is going to campuses and into the street with a declaration "For Our Future: Let's Transform the Present." The Declaration, issued Aug. 7, puts before the population the opportunity to join with LaRouche's international movement, before further disaster strikes.

We present excerpts here:

"The reality of the world financial collapse has erupted, shattering the illusion of an economic recovery and, in the process, cancelling your future and the future of sovereign nations.

"The generation now in power in the institutions—also known as Baby Boomers—are only showing impotence. They are only describing the problem, and the only solutions they give are either structural reforms, which would subject us to more liberal looting represented by the already-stinking corpse of NAFTA, or getting you some 'micro-credit' so that you can buy your own '*changarro de quesadillas*' [the Mexican equivalent of a hotdog stand].

"What you must understand is that the financial system established in 1971, based upon a volatile dollar, which allows for liberal speculation and usury, and which has floating parities among currencies, is a *feudalistic model* which serves the imperial interests represented at this time by a faction within the government of the United States, centered in the synarchist, nazi-communist figure of Vice President Dick Cheney and his flock of terrorist chicken droppings.

"Today, since the system of the globalists is collapsing and losing hegemony, their desperation has brought them to commit fraud and crimes against humanity....

"In fact, this broken-down system is finishing off the dreams of many, but what we see today is only the projection of a

large-scale reality: The problem is that the collapse is swamping everyone and everything. You as a professional, have no future in this system. This is shown by the statistics of the National Institute of Statistics, Geography, and Information. In June, unemployment among young people, as broken down by educational level, was: illiterate, 0.9%; primary school, 10.4%; high school and university graduates, 45.8%...." - The LaRouche Solution -

"In response to this, the solution put forward by economist and Democratic pre-candidate for the Presidency of the U.S.A., Lyndon H. LaRouche, is the most sensible. To establish as world policy a *community of principle of sovereign nation-states*, whose attainment would require the establishment of a *new and more just international financial and monetary system*, adopting the key points of the postwar system—called the Bretton Woods system—for the generation of physical wealth and high levels of employment in all the nations of the world....

"Just as we need an *economic renaissance*, so we also need a new scientific, technical, and cultural renaissance, having as its focus a true revolution in education, not frauds of the type proposed by the main quisling of Mexican history, the 'Satanist' Jorge Castaneda, but one based on the rediscovery of basic physical principles....

"We are calling upon you, that with the economic, political, and cultural program proposed by LaRouche, together we will transform the current conditions so that we might become members of a generation *which does have a future*. So, if you want to become part of the real productive process, and not end up selling the Mexican equivalent of hotdogs and hamburgers, or driving a taxi, we say to you: *Fight for your future!* Come out of the 'cave.' Understand that there are no private solutions. It is not a question of saving your 'little parcel of land.' Save the nation, before the fascist hell of unemployment-creating policies condemns us to be 'a generation without a future!' ...

U.S. Economic/Financial News

Mortgage Bubble Pricked: Calif. Lender Tanks 'Overnight'

A California mortgage lender collapsed "overnight," leaving thousands without home financing, and leading to industry speculation that Capitol Commerce Mortgage may be the first of many fatalities of a tumultuous bond market that has pushed Treasury yields to 12-month highs. Without any advance notice, Capitol, a privately owned home lender that operated in a half-dozen Western states, announced Aug. 22 that it was going out of business. It is one of the West Coast's largest private mortgage lenders, with 700 employees and offices in California, Oregon, Washington, Colorado, Arizona, Texas, Florida, and Illinois. The company's sudden closing leaves thousands of mortgage applicants in the lurch, after locking in low rates in July and earlier this month.

According to *thestreet.com*, speculation in the industry is that the sharp rise in mortgage rates and bond yields over the past two months, caught the small California-based lender by surprise. Most Wall Street analysts still think the damage from rising rates will be limited mainly to smaller enterprises such as Capitol Commerce, as long as the yield on the 10-year Treasury doesn't rise much above 4.5%. (In June, it had been as low as 3.10%.) Mike McMahon, an analyst with Sandler O'Neill & Partners, said, "I would be shocked if this happened to a Wells Fargo, a Washington Mutual, or a Countrywide. The larger players are more sophisticated and have the money to employ more sophisticated hedging strategies."

On Aug. 19, Countrywide, the nation's third-largest mortgage issuer, confirmed that it was one of the main lenders to Capitol Commerce. But Countrywide said Capitol's sudden closing shouldn't have any "material impact" on its earnings.

Merrill Lynch Economist: Mortgage Re-Fi Boom Over

The mortgage refinancing boom is not only over, but "recent data suggest that activity has collapsed," due to rising interest

rates, said David Rosenberg, chief North American economist at Merrill Lynch Aug. 20. As of Aug. 15, applications for mortgage refinancing have plummeted by 72% from the record high in the last week of May, to the lowest level since July 2002, according to the Mortgage Bankers Association of America, because mortgage rates have shot up. Refinancing at lower interest rates has been a source of cash that has propped up consumer spending for more than two years. Now, this stimulus "is in the process of unwinding," Rosenberg added. The average 30-year fixed-rate mortgage has jumped to 6.22%, from 4.99% in the week ended June 13. Purchase applications fell 4.9%, the MBAA said.

July Budget Deficit Tops Expectations

The Federal budget deficit for July nearly doubled over the previous year, from \$29.2 billion last July, to \$54.2 billion this year, according to figures released by the Congressional Budget Office Aug. 19. The deficit was larger than both the "market consensus" of \$42.0 billion and the expectations of the Congressional Budget Office, which Aug. 8 predicted a \$53 billion deficit for the month. Income-tax receipts fell by \$10.8 billion in July. So far, in fiscal year 2003, the Federal deficit has totalled \$324.0 billion, compared with \$145.5 billion a year ago, as individual tax payments have dropped by 6.9%.

Western States Gas Crisis Reveals Fragility of System

Gasoline prices shot up in California and other Western states; Arizona was hit by shortages, as the gas-supply system revealed itself to be prone to breakdown, raising the specter of the previous week's massive electricity blackout. Over the past week, the state average for gas-at-the-tank has shot up by nearly 20 cents, from \$1.743 a gallon (unleaded regular grade) Aug. 12, to \$1.92 on Aug. 18, hitting \$2.00 in some places Aug. 19. This is the biggest weekly increase in four years, exceeded only by a rise of 22.8 cents the week of March 29, 1999, when it hit \$1.467. Nationwide, the U.S. average gas price rose this past week by 5.6 cents to \$1.627. San Diego gas stations project \$2.09 a gallon by next Aug. 26; Redding, Calif. hit \$2.15 a gallon.

In Nevada, gas shot up by three cents in one day Sunday; in Arizona, Phoenix and other locations are hard hit by shortages. Gasoline prices are being raised *by the hour!*

"Unfortunately, we are going to see more and more of these kinds of situations because our whole system is so vulnerable," Claudia Chandler, Assistant Director of the California Energy Commission, told the Aug. 19 *Los Angeles Times*.

At present, there are mechanical problems at several of California's 13 gasoline refineries, which operate at near-peak most of the time. At the same time, increased volumes of gas are leaving California (which normally supplies most of Nevada too, and 60-70% of Arizona) to go to Arizona, where on July 30, a pipeline ruptured, cutting Phoenix off from fuel conveyed from refineries in El Paso, Texas. Many gas stations are now empty in Phoenix, which had obtained 30% of its supplies from Texas.

Personal Bankruptcies Surge as Debt Swells

Personal bankruptcy filings totalled more than 1.613 million in the 12 months ended June 30, the highest level on record, up 10% from a year earlier, according to the American Bankruptcy Institute. Moreover, the filings represented a whopping 30% increase over the level in 2000, the Administrative Office of the U.S. Courts in Washington said Aug. 18. At the same time, business bankruptcy filings fell 5.2%, to 37,182. Family farm bankruptcies more than doubled to 775, from 367 last year. During April-June, a record-high total of 440,257 bankruptcy petitions were filed, breaking the previous record set in the first quarter of 2003.

Freddie Mac Ordered To Fire CEO Parseghian

Freddie Mac's board ousted CEO Gregory Parseghian, following meetings Aug. 20 with regulators from the Office of Federal Housing Oversight, who demanded he step down. Armando Falcon, OFHEO director, had argued in the meetings that Freddie Mac needed a CEO who had no past ties to the mortgage finance giant's accounting fiasco, according to sources cited by the *Wall Street Journal* Aug. 22. In addition, Freddie Mac general counsel Maud Mater will also be replaced as soon as possible.

Parseghian—who was promoted to chief executive only in June—played a key role during 2000-01 in approving and implementing trading strategies designed to circumvent new accounting rules that would have required Freddie Mac to report immediate, large profits on its derivatives holdings. These strategies, which led to accounting errors of \$4.5 billion, allowed the company to meet expectations of "steady Freddie" earnings growth.

As the executive in charge of Freddie's \$600-billion mortgage-loan portfolio, he personally supervised its rapid growth and use of derivatives transactions.

Bush's 'Neverland Economics' Attacked at Governors' Meet

"When all 50 state governors agree on something, there's a powerful message," wrote David Ignatius in a *Washington Post* op-ed Aug. 19, about the Governors' Conference in Indianapolis last week. "That's what is happening at the Governors' Conference, where they all are calling for help from the Federal government in dealing with a national fiscal crisis—invisible at the Federal level but ravaging state governments." In particular, the governors are asking Washington to cover the costs of Medicaid drugs, but the "Neverland in Washington" continues to pump the deficit while ignoring the costs of the Iraq war. Arkansas Republican Governor Mike Huckabee said 91% of his budget now goes to prisons, education, and Medicaid: "It comes down to deciding how many inmates you will release from prison, which colleges and nursing homes you will close."

'Mis-Fortune' 500 Companies Cut More Jobs; Close Plants

**Goodyear* will shut its tire manufacturing plant in Huntsville, Ala., by the end of the year, leading to about 1,000 job losses. The plant shutdown was part of a tentative labor agreement reached with the United Steelworkers of America.

**Hewlett-Packard* will lay off 1,300 workers in its enterprise and consulting divisions, and accelerate efforts to move some operations to India, China, and the Philippines.

**IBM* laid off 600 workers and will force 3,000 employees to take a week off without pay in September, at its money-losing microelectronics division. These measure were taken "because we have not seen a turnaround" in the sector, said company spokesman Jeffrey Couture. Some 500 workers were laid off at its chip-making plant near Burlington, Vt., effective immediately, adding to the division's 1,500 job cuts last year.

*Packaging maker *Sonoco Products* will cut about 340 jobs and shut down 20 plants worldwide, in hopes of saving \$60 million annually amid falling sales.

**Boeing* laid off 1,440 employees on Aug. 22, effective Oct. 24, as part of ongoing plans to slash up to 10,000 jobs this year in its commercial jet unit. It has issued layoff notices to about 255 workers due to outsourcing much of its printing needs. Since September 2001, the aerospace giant has axed a whopping 35,410 jobs.

Nation's Food Pantries See Soaring Demand

Food pantries nationwide have been hit by an "untypical" surge in need this summer, emptying usually well-stocked shelves, and forcing temporary shutdowns, rationing, or other restrictions. During June-August, typically a slower time for emergency food requests, need has instead skyrocketed—doubling in some areas—due primarily to mounting job cuts and long-term unemployment. Many working families cannot afford to pay rent, soaring utility and medical bills, as well as for food, and now they must also scramble to buy school clothes and supplies. Combined with falling donations from corporations and individuals, plus Federal and state government cutbacks, amid growing budget deficits, pantries have had to shut down temporarily or ration food, as supplies have fallen to dangerously low levels. Agencies are issuing both frantic pleas for food donations, and dire warnings for winter, when requests really take off.

Plus, need increased after food spoiled during the Northeast blackout on Aug. 14.

**Colorado.* "We're getting squeezed at both ends," lamented a spokeswoman for the Food Bank of the Rockies, as donations are down about 15%, while requests have jumped 30-60% during summer—when the client load usually drops. At the University Hills Baptist Church, about 25% of the people seeking help each week had never been to a food bank before.

**Florida.* "I'm going to run out [of food] this week," warned Boca Helping Hands food-bank executive director Joanne Szaua on Aug. 13. Szaua has been distributing about 100 more bags of groceries monthly compared to last year's level.

**Indiana.* In the three weeks prior to Aug. 13, a food pantry in Pharos had to close twice each week because food was not available, due to a "drastic" increase in requests. Meanwhile, because need has doubled at the Human Services, Inc. food pantry in Shelbyville, the county director has had to dip into the "crisis fund"—usually reserved to save families from eviction—to buy food. Usually well-stocked until Thanksgiving, the pantry is at the bare-bones level now, despite having received government commodities in July.

**Kansas.* As a record 76,000 households statewide are expected to be receiving food stamps during July 2003-June 2004, the Winfield Community Food Pantry's shelves are the barest they've ever been, amid growing requests and shrinking donations. "We've had such an increase [in requests], we're getting to where we're using up all our funds," warned director Philo Wooddell. "In areas where the food items were usually stacked up to eye level, they are now down to ankle level," said Rev. Jerre Nolte, who has been involved with the pantry for 12 years.

**Ohio.* Marietta's Community Food Pantry has seen an unexpected "big jump" in July as 1,024 people were served—a level typically seen during winter, but not in summer—compared to 897 in June. At the same time, the Salvation Army has seen a "great increase" in the past few months for help with utility shut-offs and eviction notices—with many new clients working full-time. (Marietta breadlines had been featured on the Jan. 8 *CBS-TV* "60 Minutes" show.)

**Wisconsin.* During January-June, Racine County food pantry Love, Inc. has provided food to more than 600 families—compared to 618 families for *all* of 2002, even as donations are "down substantially."

World Economic News

Argentina-IMF Negotiations Break Down

British economist John Dodsworth, head of the IMF mission in Buenos Aires, left for Washington on Aug. 18, without having reached a "technical agreement," on which a new three-year agreement sought by the Kirchner government, would

be based. Negotiations will now reportedly be transferred to the IMF's Board of Directors, most of whose members are on vacation through Aug. 31, when the current short-term agreement with the Fund expires. The likelihood of reaching an agreement by Sept. 2, the original target date, is virtually nil, raising concerns about what will happen on Sept. 9 when, without any new agreement in hand, Argentina is supposed to pay \$2.9 billion to the Fund.

Negotiations broke down over the issue of the primary budget surplus, on whose size the two sides could not agree. Moreover, the IMF's insistence that the primary budget surplus be fixed at 4% to 4.5% of GDP—President Nestor Kirchner says he can only accept 3% of GDP—would only be effective (from its standpoint), if private foreign creditors holding defaulted Argentine bonds, accept a 50% to 70% writedown in the bonds' value. Were that writedown to be smaller, then the Fund would demand a primary budget surplus of 5%.

Exacerbating the situation is the eruption of public political battles between Kirchner and Vice President Daniel Scioli, who is said to maintain ties to former President Carlos Menem. After Scioli made remarks last week saying that utility rates would be raised by next October—a key IMF demand—Kirchner publicly contradicted him, and subsequently sacked the Tourism Minister and his staff, all of whom were factionally aligned with Scioli. Rumors are circulating that Scioli may be ousted also, or forced to resign, and the economics team is said to be worried that all of this will affect negotiations with the IMF, as it gives the impression that the government is weak. Finance Minister Lavagna met Aug. 19 with U.S. Assistant Secretary for Western Hemisphere Affairs Roger Noriega, to discuss the IMF negotiations, although no statements were released afterward.

Argentina's Priorities Not Those of IMF

Clarín's economics editor Daniel Muchnik underscores that the IMF's priorities are not those of the Argentine people, who are in desperate need of jobs, food, and relief from the austerity dictates still in place to guarantee foreign debt payment. "What are priorities for Argentina won't be found in an agreement with the Fund," he writes in the Aug. 17 edition.

And yet, look at the situation on the ground. Official poverty remains at 54.7%, and between May of 2002 and May of 2003, indigence increased from 24.8% to 26.3% of the population. Recently, Finance Minister Roberto Lavagna boasted that unemployment is dropping steadily, reaching 16%, down from 21%. But Muchnik points out that this "decline" is due only to the existence of World Bank-financed "Heads of Household" anti-poverty plans, which give a small monthly subsidy to the unemployed. Otherwise, unemployment would be at 21.4% still. And that doesn't include another 18.8% who are underemployed. At least 45% of those who have jobs, 8 million out of an economically active population of 14 million, have no access to social security; while another 4 million are employed in the "informal" economy, with no benefits whatsoever.

The situation in metropolitan Buenos Aires is indicative of the tragedy. Between May of 2002 and May of 2003, a total of 308,943 new jobs were created, but at the same time, 315,743 people lost their stable full-time jobs, and entered the informal economy. Almost 1.5 million workers in this formerly industrialized region, (45% of the region's workforce), are now "employed" in the informal economy.

While the IMF screams that Argentina must "reduce spending," *Página 12* points out Aug. 17 that public spending in the country is now 1.5% below the average for the latter part of the 1990s, and dropped 3% within the last year. It is considerably lower than most other Ibero-American countries.

Brit Water Pirates Demand Rate Hike, Threaten Collapse

Since water was privatized in Britain 13 years ago, the water pirates have concentrated on patching their systems, but are now demanding rate hikes, so that they can replace large sections of their networks, *The Independent* said Aug. 17. The

occasion for these demands is the start of a five-year price review by their regulator Ofwat. "This time customers are going to have to take more of the costs," said Water UK chairman Bob Armstrong. "This will not be insignificant and it will attract attention from the consumer groups."

"In water, we have a classic case of time-expired infrastructure; in some cases this is up to a third of a companies' assets," Armstrong said. "The problem needs addressing in this price review, or eventually we'll get to a Railtrack-style issue," he threatened. Water UK estimates that replacing just a quarter of the British water grid would cost £50 billion. In London, more than half of the 20,000 miles of water main is more than 100 years old, and a third is more than 150 years old, yielding a leakage rate of 30%.

Malaysia Studies Request To Build Algeria Road

Malaysia will study a request to build an \$8-billion road across Algeria, *New Straits Times* reported Aug. 18. The east-west road, over 2,000 km long, is described as "part of the Algerian government's infrastructure program to develop a sophisticated road system to enhance its economic development." The deal was worked out during Prime Minister Dr. Mahathir's visit to Algeria this month.

Moscow. Jakarta Reach Nuclear-Power Accord

The Russian government has approved a draft agreement with Indonesia on cooperation in the nuclear energy industry, *Interfax* news agency reported Aug. 20. The draft calls for the two countries to exchange nuclear materials, equipment, and technology while fulfilling their obligations under the Nuclear Nonproliferation Treaty and other international export-control agreements.

The report said Indonesia would be forbidden to use materials and technologies it receives from Russia to create explosive nuclear devices. Russia and Indonesia will work together on developing nuclear-power plants and research reactors, as well as other projects.

United States News Digest

John Dean Raises Serious New Charges

"Nixon never set up a hit on one of his enemies' wives," wrote John W. Dean, the former Presidential counsel to Richard Nixon, and key Watergate witness, in a blistering condemnation of the Bush Administration—especially "the Vice President, Cabinet officers, and top White House officials"—for the "outing" of Valerie Plame Wilson, the wife of former Ambassador Joseph C. Wilson IV. These are criminal violations, under Federal statutes under which people should *go to jail*, he wrote in an article published in *findlaw.com* Aug. 15.

Dean also blasted columnist Robert Novak for being the first to eagerly and cynically blow this story, attributing it to "two senior Administration officials."

But Novak did nothing to "dig" for the story. Rather, said Dean, it was fed to him, and to other news agencies.

"Why is the Administration so avidly leaking this information? The answer is clear. Former Ambassador Wilson is famous, lately for telling the truth about the Bush Administration's bogus claim that Niger uranium had gone to Saddam Hussein, and the Bush Administration is punishing Wilson by targeting his wife. It is also sending a message to others who might

dare to defy it, and reveal the truth.... [Mrs. Wilson's] future, if not her safety, are now in jeopardy."

Dean asks, "Will they get away with it?" calling this "arguably worse" than anything that Nixon's White House ever did. And the leaks violate U.S. law, says Dean. "The ONLY question is: Whodunnit?"

"The Espionage Act of 1917 and the Intelligence and Identities Protection Act of 1982 may both apply," writes Dean, citing a 1984 case under the Espionage Act that sent the leaker to jail for giving classified pictures to *Jane's Defence Weekly*. A mid-1980s case sent a CIA clerk to prison for two years under the Agent Identities Act for giving away identities she had learned in her job.

Dean says that all of the conditions for prosecution of the *leaker*—someone "on the inside"—not the journalists, have been met. He then details how the White House and Bush himself—the son of a former Director of the CIA—have done nothing to investigate this incident, which Dean calls "the most vicious leak I have seen in over 40 years of government-watching."

Dean also defends and praises Sen. Durbin, who demanded an investigation into the Plame/Wilson leak, and has found himself under attack for ... "leaking information."

Dean says that Rep. Porter Goss (R-Fla) has said the Wilson leak will be part of the House Intelligence Committee's investigation, and that the FBI has also opened an investigation.

Movement Grows To 'Bring 'Em Home' From Iraq

The following article by Carl Osgood initially appeared in New Federalist newspaper.

The National Press Club was the scene, on Aug. 13, of a packed and emotionally charged press conference by the groups Military Families Speak Out and Veterans for Peace, demanding that the occupation of Iraq be ended and that the American military forces there be brought home to their families and loved ones. Nancy Lessin, a co-founder of Military Families Speak Out, whose stepson just returned from duty in Iraq, noted President Bush's "bring 'em on" comments, calling them "three words of false bravado uttered by Bush from a safe and secure location at the White House," as opposed to the troops in Iraq, who are seeing violence and death every day amidst terrible living and working conditions. "They shouldn't be there," she said, given that there was no immediate threat to the U.S.; no weapons of mass destruction have been found, nor, she said, any link between al-Qaeda and Saddam Hussein.

Another speaker at the press conference, Susan Shuman of Shelburne, Mass., reported that her son, a member of the Massachusetts National Guard who has been in Iraq since late March, works 20 hours a day, in 120-degree heat, is rationed to two liters of water a day, and has eaten nothing but MREs for 130 days. She also reported that her son has said to her in e-mails that conditions are far worse than has been reported in the press, with major violent incidents occurring at the rate of 30-40 per day. The truth is, according to her son, that the country is in chaos, there has been a lack of planning and a lack of basic equipment and supplies for the troops. They have become oppressors, and they are stuck in a quagmire.

When Pentagon acting spokesman Larry DiRita was asked later that afternoon about the charges by these families that the Bush Administration has "betrayed" the troops, about all he could do was express his sympathy for them, and admit that Iraq "remains a dangerous place." Director of Operations Lt. Gen. Norton Schwartz chimed in on the importance of the troop rotation plan announced a few weeks ago. "Each individual," he said, "will know when they will be coming home." - Gulf War Syndrome II? -

Meanwhile, rocket-propelled grenades and improvised explosive devices are not the only perils facing U.S. troops in Iraq.

Steve Robinson, the executive director of the National Gulf War Resources Center, reported to this news service on Aug. 15 that the Defense Department is once again lying about the health conditions those troops are facing. While the Department of the Army has reported that 17 soldiers have been evacuated from Iraq and surrounding countries with an unexplained, pneumonia-like illness (two have died), Robinson told *EIR* that he has been told by contacts of his in the U.S. military in Germany that in fact, the actual number is in the hundreds. Robinson has joined with the families of the two dead soldiers, to demand that the DOD involve the Federal Centers for Disease Control and Prevention in the epidemiological investigation that the Army Surgeon General has initiated, and that the DOD be more responsive to requests for information regarding the deaths of the two soldiers.

The treatment of military personnel involved in the present operations in Iraq is a lightning rod issue for veterans of the 1991 Gulf War, because of the fact that they've been fighting for 12 years for recognition and treatment of their illnesses. Robinson said that this record shows that the Pentagon should not be allowed to investigate itself.

More generally, Robinson's organization is also demanding clarification on other non-combat deaths. He pointed out that the definition of a "non-combat casualty" is now so broad that it could include anything—suicide, homicide, wilful misconduct. "We don't know what that means," he said. A review of Pentagon press releases identifying casualties in Iraq, shows 21 non-combat-related deaths of soldiers between July 1 and Aug. 15, including three who allegedly died in their sleep, two who fell off roofs of buildings, and one who died of a "non-hostile gunshot wound." "We're concerned about the way they're reporting causes of death," he said.

The Pentagon announcements show that, in many cases, they are not reporting causes of death. Robinson fully expects there will be hearings in Congress on the issue of the health protection of the deployed troops, come September.

California Recall Outcome Will Shape 2004 Elections

The "recall" election scheduled against California Governor Gray Davis, coming as it does in the most Democratic-dominated state in the Union, will be critical in shaping the political climate for the 2004 elections. What is in process is an attempt to shatter both the Democratic Party, and the political process as a whole.

One critical element which the recall sponsors did not expect, however, was the energy blackout crisis of Aug. 14. This puts a spotlight on California, the scene of the biggest energy crisis until now, and the deregulation policies which spawned it. It also hands sane people, especially the LaRouche Youth Movement, a crucial weapons, because behind "Arnie," are the same "free trade" maniacs behind the energy deregulation insanities, typified by the now-bankrupt Enron Corporation, which looted California to the bone. They include the American Enterprise Institute, Washington ideologue Grover Norquist, and the London Adam Smith Institute.

Most telling, are the hard-core top advisers of the "Terminator." One is Warren Buffett, the mega-speculator, who is the second richest man in the world. Another is former Secretary of State George Shultz, who, in an earlier incarnation during the Nixon Administration, played a seminal role in the Aug. 15, 1971 decoupling of the U.S. dollar from gold, thereby wrecking the postwar Bretton Woods system, and setting in motion the "floating-exchange-rate" disaster of the past three decades. A third is former Republican California Governor Pete Wilson, who brought the deregulation insanity into California in the first place.

Interestingly, on Aug. 18, no less of a "Democrat" (for the Democratic Leadership Council, of course) than Lazard Freres banker Felix Rohatyn weighed in behind Schwarzenegger's policy team. Rohatyn told the *Los Angeles Times* that financier Warren Buffett "can bring integrity to the process." Rohatyn said he is "quite certain that Warren believes this situation is serious" in the California economy, adding, ominously, "There isn't a single thing I knew how to do [in New York City] that Warren Buffett isn't able to do better."

For those who remember Rohatyn's "Big Mac" of 1975, that should be a chilling foretaste of what the bankers are planning for California, if the population does not rally to defeat the recall, and follow the policy lines of LaRouche.

West Nile Explodes Nationwide— Stop It Cold With DDT

The nation is still weeks away from the peak season for the mosquito-borne West Nile Virus (WNV), yet the U.S. Centers for the Disease Control and Prevention (CDC) reports that by Aug. 14, the number of cases of WNV had tripled nationally from the previous week. Just a week before that, the CDC had reported that the cases of WNV had tripled over the previous week. The year 2003 is on the way to outstripping last year's West Nile epidemic, which the CDC says was "unprecedented in its scope and scale."

So far, in 2003, the CDC has documented 536 cases of the virus in all but seven states, with 11 fatalities; it cautions that the number is increasing dramatically.

We have a major public health emergency—as WNV whips through the nation each summer with greater intensity and deadly impact, since its advent in New York City in 1999. The Federal government has refused to take the leadership needed to launch a national military-style mosquito eradication program, like the one in the American South that saved thousands of lives during World War II through judicious use of DDT. Now, with the explosion of WNV, more and more policymakers are echoing Lyndon LaRouche's call to reverse the ban on DDT and use it to conquer mosquito vector diseases like West Nile, Dengue fever, and malaria, which kill a million people a year.

Humans usually contract WNV when bitten by an infected female mosquito; the disease can cause mild symptoms or severe, potentially fatal, neurological illnesses, including encephalitis and meningitis. At least 40 mosquito species are known to be West Nile transmitters—and they are out in every region, day and night. In 2002, probably hundreds of thousands of people contracted WNV in 48 states. There were 4,100 confirmed cases, and 284 deaths (11, 000 horses contracted it; 1 million birds died). An unknown number of other patients experienced long-time neurological damage or polio-like paralysis. - Colorado: Health Emergency -

The worst outbreak in the nation this year is in Colorado, where more than 50% of all WNV cases are found. Colorado's 392 human cases, with seven fatalities, are occurring alongside West Nile-infected animals and birds in nearly every county in the state. Larimer and Weld Counties have declared a public health emergency and requested Federal money for mosquito spraying. Even Dr. Lyle Peterson, acting director of the CDC's Division of Vector-Borne Infectious Diseases in Colorado now has the virus, after he was bitten on a trip to the mailbox.

Dr. Jim Olson, an entomologist with a Texas Agricultural Experiment Station, warned that bird-reservoired, mosquito-borne viruses tend to build up during the early to middle part of the summer: "Mosquito-borne diseases like West Nile then begin to spill over into the human population in late summer, from August until the coming of cold weather.... Thus, the chances for people to be encountered by an infected mosquito go way up." That is, unless we take the steps outlined by LaRouche to obliterate the disease-carrying insects now.

Ibero-American News Digest

LaRouche Is the Talk of the Town in Neuquen, Argentina

During a 36-hour visit to Neuquen on Aug. 7-8, LaRouche representative Carlos Wesley found that Lyndon LaRouche is almost a household word in that city of 200,000, the capital of the Patagonian province of the same name. Upon arrival,

Wesley had time to drink a glass of water, before giving the first of six interviews—five on radio, one on television—demanded during his visit. One of the interviews was to a chain with 34 radio stations throughout the province. In all, the issue on people's minds, was LaRouche's strategy to stop the economic breakdown, so Argentina can rebuild.

During his visit, Channel 7 TV broadcast a 20-minute interview with LaRouche, taped earlier that day. As Wesley walked the streets of Neuquen the next day with the local LaRouche activist, they were stopped every few blocks by people telling them that "your man was good last night on television," etc.

Rumsfeld Hypes 'Significant Terrorist Threat' in Central and South America

Is U.S. Defense Secretary Donald Rumsfeld planning an invasion south of the U.S. border, too? In a brief Aug. 20 stopover at the Soto Cano Air Base in Honduras, where he addressed the U.S. Joint Task Force Bravo, Rumsfeld went on about how Central and South America have some of the same "troublesome characteristics"—"ungoverned areas" and unprotected borders—as the Persian Gulf and Central Asia, characteristics that have allowed terrorist groups to "thrive" in recent years. At the November 2002 meeting of South American Defense Ministers in Santiago, Chile, Rumsfeld had argued that such "ungoverned areas" would be likely targets for invasion by supranational forces, and identified the slums (*favelas*) of Rio de Janeiro, and the tri-border region of Argentina, Paraguay, and Brazil, as potential targets.

The struggle against terrorism "is truly global," Rumsfeld told his military audience, warning that "in this region, we know there are terrorists, there are hostage-takers, there are drug traffickers. Sometimes it's the same people doing all three things. And it poses a very serious threat."

One reason for Rumsfeld's brief visit to Honduras was to express gratitude at the fact that this impoverished country has sent 370 soldiers to Iraq, as part of a "Latin American security contingent" made up of soldiers from Central American members of the "coalition of the willing." The Honduran soldiers will be paid, however, a mere U.S.\$150 a month, plus additional money for personal expenses, and life insurance, with the Honduran government footing the bill.

Head of Joint Chiefs Compares Venezuela to Syria

General Richard Myers, head of the U.S. Joint Chiefs of Staff, warned Venezuela that it had better cooperate with the U.S. war on terrorism, in an Aug. 12 press conference at the conclusion of a quick visit to Colombia. Myers reported that he had discussed the role of Colombia's neighbors in fighting terrorism when he met with President Alvaro Uribe.

"The analogy there is much like Iraq. In Iraq, we have asked the countries that surround Iraq to be very helpful in the coalition's objectives inside Iraq, and it is not helpful when they allow either arms or other fighters to enter Iraq from outside Iraq. The same thing is true in Colombia," he said. Asked specifically about Venezuela, he was vague. It is "not helpful when countries do not fully support the anti-terrorist fight," and there is "more to learn with respect to Venezuela." He then added: "I do not want to go any further at this point, but just to go back to the Iraq ideology, it is not helpful there when countries like Syria allow foreign fighters to come into Iraq to kill coalition members. That is not a helpful thing. Anybody that gives any comfort or aid to terrorists is on the wrong side of the fight and we have to continue to develop that intelligence and continue to work with the governments in the region to ensure that does not happen."

Zapatistas Launch New Initiative

After over a year of silence, Mexico's Zapatista terrorists organized a three-day festival to celebrate their declaration of "autonomy" over more than 30 towns in the southern state of Chiapas. The "celebration" began in the town of Oventic on Aug. 7, and was attended by no fewer than 20,000 Zapatistas, representatives of indigenous groups, Mexicans from outside

the state, and foreigners, according to some media. Subcommander "Marcos" announced in July that the Zapatista Army of National Liberation (EZLN)—which has functioned since its surfacing in 1994 as a central component of the global Jacobin terrorist movement—would be forming "good governance committees" to run the 30 municipalities under their control in the state of Chiapas. The "good governance committees," in turn, will answer to an "autonomous regional palace," which is to function as the central government over them all. That body, in particular, is to establish exclusive central control over the large amounts of foreign NGO monies coming into those areas.

The "good governance committees" are to control access to the region, permit no taxes to be collected for the Federal or state governments, allow no Federal or state aid, education, or health programs to operate, and handle all foreign monies coming into "their" territory.

Global Jacobin Movement Targets Cancun WTO Meeting

At the end of their three-day separatist celebration in Chiapas Aug. 7-9, the EZLN announced that it will mobilize a protest against the next World Trade Organization meeting, to be held in mid-September in Cancun, Mexico, and will coordinate with other groups. Other parts of the "Seattle" anti-globalization movement are also organizing protests for Cancun, and in cities around the world, claiming they will put 5 million people onto the streets on Sept. 13.

This is the same combination of forces of which Lyndon LaRouche warned in an Aug. 24, 2001 campaign statement, in which he charged that they were planning a terrorist assault on Washington, D.C. in the middle of September of that year. LaRouche warned, that the hard core of the organizers of the terrorist operations in the so-called "Seattle" movement "represent the fourth generation of a series which began its existence as an organized international movement of terrorism, during the middle to late 1960s, the anti-nuclear terrorist rampage of the late 1970s, and the terrorist wave of the mid-1980s. As typified by the case of Toni Negri, and the role of the Basque terrorist organization ETA, there is no break in the continuity of the hard-core leadership of these terrorist forces over the period from its exploitation of the anti-Vietnam War setting of the late 1960s, to the present day."

Terrorism did strike Washington, D.C. on Sept. 11, 2001, although delivered by another instrument.

Hugo Chavez Cavorts in Argentina

Venezuela's lunatic President Hugo Chavez arrived in Buenos Aires on Aug. 16, for a five-day visit dominated by meetings with various left-wing Synarchist/terrorist forces. He invited Hebe de Bonafini—the head of the Argentine Mothers of the Plaza de Mayo, who declared her happiness following the Sept. 11, 2001 attacks because "for once, blood has been avenged" upon the rich capitalists—to join him on his "Hello, President" show, broadcast from Buenos Aires. The following day, Chavez inaugurated the "Bolivarian Lectures" at the "Popular University" set up by the Mothers of the Plaza de Mayo; his speech was dominated by the theme of giving birth "to a New Time," to "a new Latin America," etc.

He spoke (and sang Uruguayan protest songs) before students, a group of cooperatives, labor, the national Congress, and in the public plazas. An anonymous source at Argentina's Foreign Ministry commented to the Argentine daily, *La Nacion* that "Chavez sees a spoon, and he thinks it's microphone, and starts speaking."

He also met Aug. 19 with Argentine President Nestor Kirchner, with whom he signed a \$1-billion commercial accord, under which Argentina is to sell meat, wine, rice, beans, medicines, and services to Venezuela, in exchange for oil. Chavez offered big discounts on the oil price, and low-interest financing, but the final terms of the deal have not been confirmed.

Chavez Selling State Oil Company Out to Multis

While Hugo Chavez talks up anti-globalization, the oil multinationals are taking over Venezuela's oil. The Venezuelan President is pushing the creation of a "Latin American oil company," uniting the state oil companies of Trinidad and Tobago, Venezuela, Colombia, Ecuador, Brazil, and Peru, which he proposes be called "Petroamerica," or "Petrosud." While he talks a blue streak against free trade and neoliberalism, his regime has stripped Venezuela's state oil company, PDVSA, to the point of collapse, and the multinationals are picking up the pieces.

The biggest blow to PDVSA came with the firing of half its workforce, 18,000 people, following the general strike of December 2002-February 2003. The company is now selling oil only through traders (including Marc Rich's Glencore), because its own commercialization department was taken down. PDVSA is producing between 2.6 and 3.3 million barrels per day (the higher figure being the government's) but that is not sustainable, because the government cut investment in 2003 to U.S.\$2 billion, one-third of previous years' investments; only 40 oil-drilling rigs are reported to be in service since the end of 2002, while 80-100 are required to sustain a potential of 3 million barrels per day.

London's *Financial Times* reported Aug. 6 that to head off collapse, "Venezuela is seeking to step up the participation of multinationals to boost output." Already, foreign oil companies account for a third of Venezuelan production, compared with 12% when Chavez was elected in 1998. On Aug. 11, the *FT* also reported that Venezuela and Trinidad and Tobago were to sign an oil agreement which would allow the shared exploitation of the oil and gas deposits on their maritime border. While Chavez portrays this deal as a step towards his "Petroamerica" plan, the *FT* points out that it is the international oil companies which "are very keen that all the problems" between the two countries on exploitation of those reserves be resolved quickly, because "the offshore project most likely to receive a boost" by the agreement, is that of the Deltana Platform, "which holds an estimated 38 trillion cubic feet of natural gas under Venezuelan waters, plus 31 trillion cubic feet on the Trinidadian side."

FARC Escalates 'Diplomacy'—and Terror

Colombia's narcoterrorist FARC "celebrated" the first anniversary of President Alvaro Uribe's taking office on Aug. 7, by exploding three car bombs around the country in three days; one attack nearly downed the President's helicopter. The assaults came as UN Secretary General Kofi Annan replied positively to a letter from FARC chieftain Manuel "Sureshot" Marulanda, asking for an opportunity to "present our viewpoint regarding the problems of the country ... and what might be the solutions." Annan answered that he was willing to hear the FARC's supposed arguments, as part of a peace mediation initiative.

At the same time, the FARC's Raul Reyes—the soulmate and friend of New York Stock Exchange chairman Richard Grasso—granted an interview to *Agence France Presse* and to the Ecuadoran newspaper *El Comercio*, in which the terrorist declared to Kofi Annan that he is "ready to go to New York, to explain either personally, or during a UN session, the FARC's political position." Reyes' appearance for the interview was carefully calculated, both to disprove rumors that he is seriously ill, and to dangle once again the prospect of a prisoner exchange, which President Uribe has refused to consider without a ceasefire as the precondition.

Reyes referred to the more than 1,000 hostages—many of them prominent political figures—whom the FARC continues to hold, saying that the majority of them, "but not all," were well. Timed with this was the release by the widely read *Cromos* magazine of its exclusive interview with some 30 of the hostages, an interview which the FARC had organized. One of those interviewed, Sen. Jorge Gechen, has been held captive and incommunicado since 2002; he appealed to the Uribe government to accede to the FARC's demands for a prisoner exchange.

So far, Uribe is holding firm. After the incident with his helicopter, the President told the press that Colombia was not facing a crisis or a war, but "terrorism," pure and simple. He added, "As long as there is a guerrilla whose arrogance is derived from the gun, the car-bomb, and from drug money, there is no dialogue possible."

Ecuador's Ruling Coalition Shattered by Sticking to IMF Program

Mass demonstrations against Ecuador's government are being organized, following the unilateral decision on Aug. 6 by President Lucio Gutierrez—one of the much-ballyhooed trio of "leftist" South American Presidents, with Brazil's Lula da Silva and Venezuela's Hugo Chavez—to end his alliance with the indigenist Pachakutik Party, after five of the 11 Pachakutik Congressmen voted against the economic package agreed upon with the IMF. Three Pachakutik ministers were kicked out of the Gutierrez cabinet (the Foreign, Agriculture, and Tourism Ministers), and 300 party members were ousted from their government posts.

The Pachakutik Party, the political arm of Ecuador's powerful CONAIE indigenous movement, branded Gutierrez a "traitor" to the people who elected him. Indian leaders—who were key to Gutierrez's own 2001 military coup attempt—are organizing a "great people's assembly," to plan mass actions against the government.

This latest, predictable, crisis in Ecuador will increase the pressure on the equally fragile governments of neighboring countries, particularly Peru and Bolivia, whose governments also remain in power only due to the absence of any alternative.

Western European News Digest

David Kelly Warned of Being 'Found Dead in the Woods'

British weapons inspector David Kelly told British diplomat David Broucher that he (Kelly) would probably be "found dead in the woods" if Britain invaded Iraq, Broucher testified to Lord Hutton's inquiry Aug. 21, as the *BBC* reported. Broucher said Kelly made what he had then considered a "throwaway remark," in February.

Kelly told Broucher that he had told Iraqis they would not be invaded if they cooperated with UN weapons inspectors. Kelly said if there were an invasion, some of these Iraqis "might be killed as a direct result of his actions," which put him in a "morally ambiguous" position.

Kelly also said that every line of the Blair Iraq dossier had been fought over before it was published last September.

***Guardian's* Norton-Taylor Documents Government Spin**

In an Aug. 21 article, *Guardian* correspondent Norton-Taylor discloses some line-by-line editing over Britain's Iraq dossier, going back to September 2002.

*Press officer Daniel Pruce said the government shouldn't give the impression that the situation was "static" in Iraq. Pruce said that much of the evidence was "largely circumstantial," but the dossier should say that Iraq had "enough chemical warfare agents to kill X thousand or contaminate an area the size of Wales."

*Under a section titled "Feel," Pruce wrote: "Our aim should also be to convey the impression that things have not been static in Iraq but that over the past decade [Saddam] has been aggressively and relentlessly pursuing WMD while brutally repressing his own people."

*Blair's chief media advisor, Alastair Campbell, was reported to have told John Scarlett, chairman of the joint intelligence

committee: "Our public line is that the dossier will set out the facts which make HMG [Her Majesty's government] judge Iraq/WMD to represent a real threat."

*Julian Miller, Scarlett's deputy, met with Downing Street media staff on how to make the dossier convincing and make sure everyone was "on the right track."

*Philip Basset, one of Campbell's advisers, wrote on Sept. 11, 2002 on the state of the dossier: "Very long way to go, I think. Think we're in a lot of trouble with this as it stands now."

*Days later, Downing Street spokesman Tom Kelly said to Campbell: "This does have some new elements to play with, but there is one central weakness—we do not differentiate enough between capacity and intent.... We know that [Saddam] is a bad man and has done bad things in the past. We know he is trying to get WMD—and this shows those attempts are intensifying. But can we show why we think he intends to use them aggressively, rather than in self-defense? We need that to counter the argument that Saddam is bad, but not mad."

*Matthew Rycroft, Downing Street foreign policy adviser, said: "Part of the answer to 'why now?' is that the threat will only get worse if we don't act now—the threat that Saddam will use WMD, but also the threat that Iraq's WMD will somehow get into the hands of terrorists."

*Documents also revealed that Tom Kelly wrote to another Downing Street spokesman, Godric Smith, on Sept. 24, about the "core script" for media presentations: "The weakness, obviously, is our inability to say he could pull the nuclear trigger any time soon."

Norton-Taylor emphasized the importance of the Sept. 17 private message by Jonathan Powell, Blair's chief of staff, on the dossier—that "We will need to make it clear in launching the document, that we do not claim that we have evidence that [Saddam] is an imminent threat."

Tony Blair Was Told Iraq Was No Threat

What little remains of Prime Minister Tony Blair's credibility was blown away Aug. 18, during Lord Hutton's inquiry into the death of senior weapons inspector David Kelly. A Sept. 17, 2002 e-mail was made public, written by Blair's chief of staff, Jonathan Powell, asserting, on the soon-to-be-released "dossier on Iraqi weapons of mass destruction," that "we will need to make it clear, in launching the document, that we do not claim that we have evidence that [Saddam] is an imminent threat." This was counterposed, on the front page of the *Guardian*, to Blair's contention, when the dossier was released, on Sept. 24, 2002: "[Saddam] has existing and active military plans for the use of chemical and biological weapons, which could be activated within 45 minutes."

This new revelation not only blows apart Blair, but should have devastating consequences for the Cheney's gang in the United States. Blair's Sept. 24, 2002 dossier had the crucial purpose of "legitimizing" the new U.S. "National Strategy Document" policy of "preventive war," by making it seem that Saddam's Iraq was an imminent danger to Western countries. The September 2002 Blair dossier was an important instrument, utilized by the Cheney-acs, to get their war machine rolling.

The *Guardian* calls the Powell e-mail, written to Joint Intelligence Committee chairman John Scarlett, "explosive," and quotes Powell saying that the dossier "does nothing to demonstrate a threat, let alone an imminent threat from Saddam.... In other words, it shows he has the means, but it does not demonstrate he has the motive to attack his neighbors, let alone the West." The weekly *Independent* quotes further from Powell: "If I was [sic] Saddam, I would take a party of Western

journalists to the Ibn Sina factory, ... to demonstrate there is nothing there."

The *Guardian* and *Times* cite the Powell e-mail, and other evidence presented to the Hutton inquiry, to show how Blair's 10 Downing Street was "intimately involved in the events which led to the death of the government scientist Dr. Kelly." For example, there is the "devastating" (*Guardian's* term) e-mail, written to Powell, by Downing Street media operative Tom Kelly (no relation), insisting, "This is now a game of chicken with the *BBC*—the only way they will shift, is they see the screw tightening." The *Guardian* writes: "Mr. Kelly was referring to plans to make the scientist appear before the committees, in hope of forcing the *BBC* to confirm that Dr. Kelly was the source" of the *BBC's* report, that Downing Street had "sexed up" the September 2002 dossier.

The *Independent* lead editorial on all this is headlined, "Now We Know That No. 10 Did Order a Rewrite of the Dossier To Justify War."

Kelly Not Alone: British Officials Challenged Iraq Intel

On Day One of the Hutton Inquiry into the death of British weapons scientist Dr. David Kelly, a series of documents that were used by the British government in testimony, showed that there were "protests by intelligence officials" about how the Iraqi WMD "dossiers finally turned out after a series of drafts." There is already a furious battle brewing over the release of these documents to journalists, after inquiry counsel James Dingemans, showed portions of the documents on a screen in the inquiry courtroom.

These revelations could spell more trouble for Cheney and the Chickenhawks responsible for the phony information about Iraqi WMDS in Washington. According to the British *Guardian* of Aug. 12, "Two officials from the defense intelligence staff (DIS) wrote formal letters of protest about the way intelligence was presented in the dossier raising concerns about the use of language." However, the deputy chief of DIS, Martin Howard, said that this was nothing special because, "This sort of debate is quite normal." The *Guardian* notes that the evidence presented Aug. 11 was the "first formal confirmation that intelligence officials had doubts about the central claim at the heart of the affair—that Iraq could launch a banned weapons attack within 45 minutes of an order."

The *Guardian* says that the documents in question "give a dramatic insight" to what was going on behind the scenes in the preparation of the September 2002 Blair dossier, which was used to support the case for war. *EIR* sources in Washington, in political and intelligence circles, have stressed that information from the British inquiry could be valuable in cracking open the case against Cheney and his cabal.

But the Blair government continues to make the defamation of Dr. Kelly a central part of its case. They portray him as a man who was "very unhappy" over his career, having been passed over for raises and promotions, and complaining that he had fallen into a "black hole," in the Defense Ministry. They also accuse him of having "overstepped the scope of his discretion" in giving unauthorized information to journalists.

A Sampling of British Press on 'Blair-Gate'

The following headlines appeared in British press on Aug. 19, following the testimony of Prime Minister Tony Blair's chief of staff, Jonathan Powell, before the Hutton Inquiry:

**BBC News:* "Dossier 'failed to show Iraq threat'; Tony Blair's most senior aide told intelligence chiefs their draft dossier failed to demonstrate 'an imminent threat' from Iraq, the Hutton inquiry has heard."

**Guardian:* "No. 10 knew: Iraq no threat." "One of the prime minister's closest advisers issued a private warning that it would be wrong for Tony Blair to claim Iraq's banned weapons program showed Saddam Hussein presented an 'imminent threat' to the West or even his Arab neighbours."

**Independent:* "The e-mails, the rewritten dossier and how No. 10 made its case for war." "Hitherto unpublished official papers disclosed at the inquiry showed grave doubts at the highest level of government about its own case for supporting the invasion of Iraq."

**Telegraph:* "No. 10 chief's doubts on dossier." "Tony Blair's chief of staff warned that the dossier being prepared by the Government to make the case for war against Iraq did not demonstrate that Saddam Hussein was a threat, let alone an imminent one, the Hutton Inquiry heard yesterday."

**Times online:* "Powell admitted dossier showed 'no imminent threat.' Tony Blair's chief of staff sent an e-mail seven days before publication of last September's intelligence dossier that acknowledge that the document contained no evidence of Iraq being an 'imminent threat.'"

British Seen as Distancing Themselves from Bush Administration

Commenting on what appears to be the early demise of British Prime Minister Tony Blair, a senior Israeli intelligence source said Aug. 20 that the British are moving to distance themselves from the Bush Administration in order to preserve their own interests.

The source said the British establishment has two goals in dumping Blair. The first is to distance itself from the disaster the Bush Administration is heading toward. The second is to further its long-term goal of reviving the British Empire. The British are most concerned with rebuilding their position in the Middle East and Central Asia in particular, especially when it comes to oil. He observes that the British are already in competition with the U.S. in this area. In this effort, they would devise a policy that one could call "acceptable" to these countries. The British would also promote cooperation, rather than confrontation, with Russia to further these goals. The big question, for this source, is how this plays into Western Europe, which under the leadership of France and Germany, has already distanced itself from Bush.

When asked whether this was the same type of decision Winston Churchill made in World War II, to side with Franklin Delano Roosevelt rather than the Synarchists, he totally agreed. He said by siding with the U.S., Churchill saved Europe.

Russian Arms Inspector Speaks out on David Kelly's Death

Sergei Rybakov, a Russian co-worker of British weapons inspector David Kelly, said in an interview with *Izvestia* Aug. 11 that Kelly "could not have committed suicide." Rybakov, a leading expert in biological weapons, worked directly under Kelly on the UN weapons inspection team in Iraq 1996-98. Asked about Kelly's death, Rybakov declared: "When I heard, I simply couldn't believe it.... We worked together for a long time and spent our free time together. It was impossible to throw him off-balance. You know, working in a multinational group, where there is a language barrier, is not always easy. But no matter what happened, David remained calm and cheerful. In my opinion, such a person is incapable of committing suicide.... He showed a great love of life.... I cannot imagine, what might have happened to him over the last five years.... But it is highly improbable, that a person could change so much, as to solve his problems by suicide."

Otherwise, Rybakov emphasized the absolute lack of even the smallest signs of the existence of biological weapons in Iraq after 1996.

Chancellor Schroeder Reiterates: No German Troops to Iraq

Germany's Chancellor Gerhard Schroeder, after participating in a joint press conference Aug. 18 in Berlin with visiting Japanese Prime Minister Junichiro Koizumi, said that he had not changed his mind on non-military priorities for Iraq:

"Germany is involved with a considerable amount of humanitarian aid, it wants to help with rebuilding through materials, but military involvement is not up for debate," the Chancellor said. Koizumi said that Japan is now investigating how it can help Iraqi reconstruction and consolidation.

Former UN Envoy: Iraq Is in a Genuine 'Insurrection'

Hans Von Sponeck, a former UN envoy, described the political climate in Iraq as a genuine insurrection, and not terrorism "imported" from neighboring states, in an Aug. 20 interview with German national radio station *DLR*. He called the "temptation to blame foreigners, fanatic Arabs from neighboring countries," and "Saddam loyalists" for terror attacks in Iraq, a "product of fantasy."

"I think it is a wrong interpretation of the situation in Iraq to say that outrage about the Anglo-American occupation exists only among small groups. This outrage is one of the entire people."

Because of this broad-based opposition to the occupation powers, Germany is well-advised not to send any troops to Iraq, "not to sacrifice German soldiers on the altar of a war and peace policy that is against international law," Sponeck warned.

What has to be done instead, is to work out a plan to replace the Anglo-American occupation regime with a UN-controlled process of re-sovereignization, as has been discussed for Afghanistan, Sponeck said.

Economic Revolt in Europe Underway

William Pfaff, a regular columnist for the Paris-based *International Herald Tribune*, headlined his Aug. 18 editorial, "Europe Faces Tough Choices."

"How far will the European revolt go against economic orthodoxy? France proposes to renationalize Alstom, a strategic industrial group it privatized only six years ago. Both Germany and France are running deficits that defy the monetarist doctrine embedded in intellectual concrete at the European Central Bank."

Pfaff stated that Germany had been responsible for introducing the "inflexible priority given to fight inflation at the expense of growth" in the euro-zone (countries that use the euro single currency). But, "Germany has since paid the biggest price in unemployment." And Chancellor Gerhard Schroeder is realizing that "his political career risks disappearing into the slough of economic despondency," unless he stimulates the German economy—now officially in recession.

"France is on the same course." The conservative Jean-Pierre Raffarin government has chosen to accompany its pension reform with budget deficits and investment stimulation. And now Finance Minister Francois Mer, with President Jacques Chirac behind him, "has made the strategic decision to buy back a controlling interest in Alstom, maker of turbines, ships and high-speed trains. The company faced bankruptcy without immediate government aid.

"France and Germany are part of a growing revolt against monetarist orthodoxy and the neo-liberal U.S. model of capitalism. Plenty of Americans agree that the model of corporate capitalism promoted since the early 1980s has enriched

the rich while doing serious damage to society and economies.

"The models that have dominated economic thought for two decades had utility in their time, but times have changed. It made sense to privatize complacent and inefficient state industries in the past. It makes sense today to rescue strategic industries from the game of irresponsible takeovers and a doctrine that ranks shareholder value and managerial self-interest over the interests of workers and society, and even over national interest." Europeans, and even Americans, are beginning to realize that the theories of the recent decades simply don't work. They have to "understand that markets are impartial, but not wise. They do not automatically work in society's interest, or that of nations."

Nuclear Power 'Is Critical to Britain's Future'

Alec Broers, president of the Royal Academy of Engineering, insisted in an Aug. 18 interview with the *London Times* that nuclear power is vital to Britain's future. Broers, portrayed by the *Times* as "the country's most senior engineer," described the present government plans to generate 20% of electricity from "renewable sources" by 2020 as unrealistic.

Instead, he said, Britain must build a new generation of nuclear power stations to prevent blackouts and fight global warming. Ignoring nuclear energy would be a huge and misguided gamble. Broers added: "We need to keep working on fusion, and the engineering problems of this still remain extreme. But until we get to fusion, nuclear [fission] is the best we've got. There are no fundamental supply problems. Nuclear remains very important to our energy needs. I support entirely a very serious continuation of study of nuclear power."

The British government has to overcome "emotion and exaggeration" about the dangers of nuclear power. A positive decision in favor of nuclear is needed urgently, because without it there is a real risk that Britain would lose the engineering and technology base required to build new plants. "We had a lot of expertise in nuclear power, and that is something we've got to look at. If and when the decision comes, we have to be sure we are not without the people and the skills to do that."

Mideast News Digest

Timeline Reveals Sharon Maneuvers To Kill The Road Map

As of Aug. 21, a review of crucial events over the past three weeks reveals a systematic campaign by Israeli Prime Minister Ariel Sharon to kill the Road Map, just as he earlier killed Oslo, the Mitchell Plan, the Tenet Plan, and every other Israel-Palestine peace initiative. The modus operandi employed by Sharon: Violate the Road Map with a series of targetted assassinations of Palestinian activists, to incite a terror retaliation, then use those attacks to justify freezing Road Map implementation and launching a new round of even more brutal invasions and assassinations, while denouncing the Palestinian Authority for failing to crack down on the terrorists. The following summary time line tells the tale:

*July 29: Sharon met briefly with President Bush at the White House, and presented a dossier on the threat to Israel posed by Iranian and Syrian WMD programs.

The Sharon-Bush meeting lasted only 30 minutes, and reportedly, after a heated exchange between Sharon and National Security Adviser Condoleezza Rice on the night of July 28 over the Israeli wall, Sharon decided not even to give Bush a petition signed by 112 Knesset members, demanding the freeing of Israeli spy Jonathan Jay Pollard. Of course, as Sharon was carrying around the Pollard petition, Pollard's spymaster, Dirty Rafi Eytan, was covertly travelling around the U.S.A. and Mexico, on false passports, most likely organizing a new 9/11 terrorist attack.

*July 30: Sharon met with Vice President Dick Cheney. Although details of the meeting are scant, there was clearly a

much closer "meeting of the minds" in this session than there had been the previous day with President Bush—even though Bush "wimped out" during his press conference with Sharon after their meeting.

*August 2: In a clear indication of Israel's intent to provoke a confrontation with Syria and Lebanon, a powerful car bomb killed Hezbollah leader Ali Hussein Saleh in Beirut. Hezbollah is a legitimate political self-defense organization, operating in southern Lebanon, which has not been involved in attacks on Israel—except in response to Israeli provocations. Following the Beirut assassination, Hezbollah units shelled northern Israel, and, in return, Israel staged a series of bombing raids into Lebanese territory, targeting Hezbollah (see below).

*August 4: The *Washington Post* ran the front-page story claiming that Secretary of State Colin Powell and his Deputy, Richard Armitage, were going to leave the Bush Administration immediately after the January 2005 inauguration, assuming Bush is reelected to a second term. This leak was widely read as indicating that Powell was delivering an ultimatum to the President: Either dump Cheney and the Chickenhawks or he leaves, virtually assuring Bush's reelection defeat. Bush subsequently gave Powell the green light to cut back U.S. loan guarantees to Israel if it continue to build settlements and the wall, in defiance of the Road Map.

*Also that day, a scheduled meeting between Sharon and Abu Mazen was cancelled.

*August 9: Israeli Defense Forces assassinate Hamas leaders Abu Salam and Faizal Sadar at the Askar refugee camp.

*August 9: Lebanese report Israeli air-raids into southern Lebanon.

*August 10: Hezbollah retaliates by shelling into northern Israel, killing a young Israeli boy.

*August 10: At a Cabinet meeting, the Sharon government decides to freeze implementation of the Road Map. *But*, the justification they will use for this action will not occur *until Aug. 12*, when two suicide bombings occur in the West Bank and in an Israeli town; however, the *New York Post* reported *Aug. 11* on the Cabinet decision. When the bombings occur and the Israelis announce the freeze on the Road Map implementation, in response to the two bombing incidents, the Israelis are caught in an embarrassing situation.

*August 15: Hamas activist Mohammed Sidr is assassinated by the IDF.

*August 18: Palestinian-born *Reuters* camera man Mazen Dana is killed in Baghdad by U.S. military tank fire.

*August 19: Huge suicide bombings occur in Baghdad and Jerusalem. Up until this point, Hamas, Islamic Jihad and the Al Aqsa Martyrs Brigade have all maintained that they are adhering to the ceasefire agreement, which specifies that they can retaliate for specific Israeli attacks.

*August 21: Hamas moderate leader Abu Shanab is assassinated by the IDF. He is known as one of the more important moderate Hamas leaders, who worked closely with the Egyptian government to secure the ceasefire agreement on the part of Hamas. Following Abu Shanab's assassination, the three Palestinian groups announce that the ceasefire is over.

The ceasefire was holding, and Sharon was coming under mounting pressure at home, over the resurfacing of the election financial fraud charges. At that point, Sharon ordered the assassinations of a Hezbollah leader, and two leading Palestinian militants, thus breaking the ceasefire, which had also included a ban on Israeli targeted assassinations.

After Terror Attack, France Rips into Anglo-American Occupation of Iraq

Two days after a terrorist bombing destroyed the UN headquarters in occupied Iraq, France ripped into the Anglo-American occupiers in remarks at an open meeting of the UN Security Council, Aug. 21. Council members heard briefings by the U.S. and U.K. Ambassadors, after which representatives from 13 countries responded.

France's Deputy UN Ambassador Michel Duclos led off. This is not a time for "simplistic and Manichean explanations," he cautioned. And we must remember our objective remains that of ensuring "a speedy political transition, leading to an end to the occupation" of Iraq, a country and people with "a lofty and age-old civilization."

It is the responsibility of the occupying powers, under international law, to provide security, he said, asking a series of questions of the U.S. and U.K. governments, as to their security plans for the country.

But, terrorism and violence require more than security and a military response. "In order to emerge from the trap laid by the terrorists, which is a strategy of chaos and of a vacuum ... we must give back to the Iraqis their responsibility and their sovereignty within the framework of an accelerated timetable and a clearly defined sequence of events.... It is France's conviction that this political transition will have greater chances of success if it is guided by the Iraqis themselves, with the assistance not of occupation forces, but of the international community as a whole, incarnated by the United Nations."

Amb. Duclos made clear that there will be no French troops without the UN being put in charge. He demanded transparency by the Coalition Authority on "political, economic and financial" matters, in particular, and specified that the Provisional Coalition Authority needs to provide a full accounting of Iraq's financial and oil resources. The "International Advisory Council to Monitor Development Funds for Iraq," mandated under UN Resolution 1430, has yet to be created, he pointed out.

Israeli Law on Inter-Marriage Reminiscent of Nazis

A law introduced into the Israeli Knesset, or Parliament, by Israeli Interior Minister Avraham Poraz, a leader of the "liberal" Shinui Party, the second largest party in Prime Minister Ariel Sharon's coalition, passed two weeks ago. The law would force Arab Israelis to obtain written permission from the Interior Ministry before they could marry non-Arab Israelis; or, if already married to a non-Arab Israeli, to obtain permission to reside with their spouse in Israel. The law will be applied retroactively to couples who may have been married and resident in Israel for upwards of a generation. The couples would either have to split up and the non-Arab Israeli leave the country alone or with his family; the question of the children's citizenship, should a couple decide to split up, is unclear from the coverage.

Ostensibly, the purpose of the law is security. And, the chiefs of Israel's Shin Beth welcomed it. Cited is the case of the son of a mixed couple who carried out a suicide bombing of a Haifa resident. However, the real reason for this law seems to be that Arabs living in Israel now comprise 20% of the Israeli population and with their large families, they might soon become a majority in the nation, writes Abraham Tal in *Ha'aretz*. "This reasoning is extremely pertinent to those who do not want to live in a binational state in which a Palestinian majority can be anticipated in the not too-distant future," Tal reasoned. Jafar Farah, director of the Israeli Arab civil rights group Mosawa, denounced the new law as "racism."

Will Sharon Be Indicted for Bribes by Financier Appel?

According to Israeli press reports, prosecutors are preparing an indictment of David Appel, a well-known businessman and financial backer of Prime Minister Ariel Sharon, for bribing him and Industry Minister Ehud Olmert, the former Jerusalem Mayor, who was a channel for Sharon to mega-funds in the U.S. from Christian fundamentalists.

The indictment of Appel involves the "Greek Island Affair," which took place while Sharon was Foreign Minister. Appel is accused of bribing Sharon through signing a contract with Sharon's son, Gilad, to whom Appel transferred thousands of dollars as "consultancy fees." This could be a prelude to indicting Sharon. Under Israeli law, an indictment of someone accused of bribing an official, does not necessarily lead to indicting the official in question.

Israeli commentator Amir Oren wrote in *Ha'aretz* on Aug. 11: "It is intolerable in the public sense, if not in the legal sense, for a prime minister to serve in office while a citizen is being prosecuted for bribing him... Legally, Sharon has the right to claim innocence until proven guilty. Politically, his ability to function as Prime Minister is over.... The Likud already regards him as a millstone around its neck and is afraid that if the legal procedures continue to the next elections, it will bring down the ruling party. In the eyes of low and mid-ranking party activists, as distinct from a minister eyeing his chair, Sharon has to go right now."

Mahathir in Syria Discusses Ending U.S. and Israeli Occupations

On Aug. 19, Malaysia's *New Straits Times* reported that Malaysia's Prime Minister Mahathir Bin Mohammad, wrapping up a visit to Syria, where he met with President Bashir Assad and Prime Minister Mustapha Mero, told a press conference that Malaysia would not send peacekeepers to Iraq or take part in any official activity there without the sanction of the UN. He stated that the U.S. road to peace in Iraq should allow Iraqis to set up a government of their own choosing.

About the Middle East, he added that "We are very unhappy about the situation in this part of the world," adding that peace could only be achieved if Israel withdrew completely from occupied areas and allowed Palestinian refugees to return home (by which he means the Palestinians' claimed "right of return" to Israel). He said the Road Map was incomplete, because it concerned Palestine in isolation; to work, it must involve Syria and Lebanon.

Syrian Prime Minister Mero responded to a question on Malaysia's role in uniting the Muslim world, pointing out that in October, Malaysia will assume the chairmanship of the Organization of Islamic Conference for a three-year term, which will assist the OIC in standing for the common interest of the whole Islamic world.

In a press conference on Aug. 17, Dr. Mahathir discussed assisting Syria in developing its economy and society. In the course of his three-day visit, 12 Memoranda of Understanding were signed.

Von Sponeck Speaks on Iraq Resistance

In an interview with the national German radio station *DLR* Aug. 20, former UN envoy to Iraq Hans von Sponeck called the "temptation to blame foreigners, fanatic Arabs from neighboring countries" and "Saddam loyalists" for terror attacks in Iraq, a "product of fantasy."

For full coverage, see the [EUROPE NEWS DIGEST](#).

Iranian President Calls for 'Coalition for Peace'

Speaking at a conference of Iranian diplomats stationed abroad, President Khatami said that Iranian diplomacy focuses on detente, confidence-building, dialogue, and making efforts to turn threats to opportunity, reported the Iranian press service, *IRNA*, on Aug. 17. He said that Iran calls for the "coalition for peace," as the way to deal with the destruction caused by terrorism, on the one hand, and the war-mongering approach of certain countries, on the other. He pledged to safeguard the achievements of the Iranian Revolution, and "encourage a positive approach to foreign policy."

Khatami charged that the theory of a "dialogue of civilizations" had given way to the "clash of civilizations" in the wake of 9/11, adding that the current U.S. Administration called for a "coalition of war," through which it imposed the clash of civilizations on the international community, thus ruining the hope of mankind for initiating a relatively peaceful century. He said that terrorism and weapons of mass destruction are the major threats to human beings, but the United States, the most powerful military, economic, and technological power, instead of taking constructive measures to deal with such threats, has done the reverse: "The U.S. action benefitted two groups, the terrorists who only think about killing others, and the war-mongers who only think about forging tyrant dominance," he said.

Meanwhile, Iranian Foreign Minister Kamal Kharrazi called on the U.S. to shut down the terrorist Mujahedin-e-Khalq fighters in Iraq, where they are under American control. While Kharrazi welcomed the U.S. action on Aug. 15 that shut down the MEK's Washington offices, and seized the bank accounts of organizations linked to the MEK, he emphasized that the MEK's real danger is in Iraq. See this week's [**INDEPTH**](#) for the story of how the terrorist MEK has been protected by Attorney General John Ashcroft.

Congressmen Pushing for Syria Sanctions

With Congressmen like these, who needs Ariel Sharon? Representative Eliot Engel (D-NY) was recently in Israel, where he said he received strong support from Prime Minister Ariel Sharon for legislation he is sponsoring, calling for sanctions against Syria if it does not end its support for the Hezbollah and Hamas. The legislation is being co-sponsored by rightwinger Rep. Ileana Ros-Lehtinen (R-Fla), who wants the U.S. to overthrow Fidel Castro, and who is the strongest supporter in the Congress of the Iranian terrorist group the Mujahedin-e-Khalq.

The anti-Syria bill would allow President Bush to waive penalties, but it is a propaganda device by the neo-conservative warmongers to set the stage for U.S. strikes against Syria.

Russia and Central Asia News Digest

Say Russia Is Ahead of U.S. in Race To Build a New Generation of Nuclear Weapons

Former Russian Atomic Energy Minister Viktor Mikhailov, interviewed on the 50th anniversary of Russia's first hydrogen bomb test by *Nezavisimaya Gazeta*, said that Russia had maintained its lead over the U.S. in nuclear arms technology ever since the construction of the first thermonuclear bomb. While the U.S. was the first to explode a thermonuclear device, and of course the first to explode an atomic bomb, Russia had built and exploded the first hydrogen bomb on Aug. 12, 1953. This was 10 times more powerful than the first atomic bombs the U.S. dropped on Japan in 1945.

Mikhailov asserted that Russia has never relinquished its nuclear lead since that event. "Whereas before 1953 we trailed the U.S. in the sphere of nuclear weapon technology, after 1953—and to this day—they have been trailing us," he told *Nezavisimaya Gazeta*.

Today, the "philosophy of thermonuclear weapons has changed, and on the agenda is the development of high-precision and deep-penetration nuclear bombs," Mikhailov stated. He is now head of research at the Russian Federal Nuclear Center in Sarov, Russia's key research facility for nuclear weapons programs, where all Russian nuclear bombs have been built.

Sarov Center director Dr. Radyi Ilkayev confirmed that Russia was developing new nuclear arms. "The past 15 years have been tough for our nuclear center, but we have never halted weapons programs," he was quoted by *Itar-Tass*. However, "in the last two years the Center has been getting government orders and hiring more staff," Ilkayev said.

Two weeks ago, President Vladimir Putin visited Sarov, where he said that nuclear weapons "have been and remain the basis of Russia's security" and that Russia "must and will remain a great nuclear power." He also said that Russia would maintain its ban on nuclear testing, but only if other nuclear powers do so—a clear reference to the United States.

Ilkayev also emphasized that Russia's nuclear weapons were "safe, reliable and efficient," and did not require nuclear tests to verify their condition. "We can keep the country's nuclear arms arsenals in proper shape without conducting nuclear tests," he said. "We use computer, physical and mathematical simulation methods for this purpose."

Mikhailov, however, said that, over the next 10-15 years, Russia "can move several steps forward without resorting to nuclear tests, but drawing on past experience and three-dimensional computer simulation. But sooner or later we will have to carry out a test, even though I am not sure it will necessarily be a powerful blast."

Russian Pacific and Northern Fleets Conduct Strategic Exercise in Far Eastern Military District

Russia, starting on Aug. 17, began a large-scale strategic naval exercise in its Far East region and the Pacific Ocean. Conducted by the Pacific and Northern Fleets, the strategic and front-line aviation and troops of the Far Eastern Military District, the exercise is unprecedented in the history of the Russian Navy in terms of scale, participants, and area, Admiral Viktor Kravchenko, chief of Russia's Naval Main Staff, was quoted by *Itar-Tass*.

Participating are 75 ships and support vessels of the Pacific Fleet, 20 aircraft of the Northern and Pacific Fleets, and 30,000 military servicemen and civilian specialists.

The maneuvers engage subdivisions of 16 ministries and departments. They will be held in three stages: Aug. 18-19: basic preparation of forces and troops; Aug. 20-22: all round preparation of arms, military technique, deployment of troops on the territories where missions are carried out; Aug. 23-27: active exercises with observers from six countries in the Asian Pacific region. There will be 24 separate exercises, 10 in the Primoye region, seven in the northern part of the Sea of Okhotsk, and seven near Kamchatka.

The huge naval exercises are designed to safeguard regional stability, and do not pose any threat to neighboring nations, according to Russian military press.

The Pacific Fleet's press service issued a statement on Aug. 19, saying that the Pacific Fleet pledges to serve as a safeguard of both Russia's economic and political interests in the Far East and the whole region's security and stability.

A total of 60 ships and boats, 35 support ships, 70 planes and helicopters, and 70,000 servicemen and civilians are involved in the 10-day exercises which are being carried out in the Sea of Okhotsk, Bering Sea, and Sea of Japan.

In addition, South Korean and Japanese surface ships and helicopters, and a U.S. Coast Guard ship will participate. There are military observers from Canada and China. Russia had not held such joint exercises in over 15 years, said Pacific Fleet Commander Adm. Viktor Fyodorov

But a "scandal" broke out around the observers, since U.S. Defense Secretary Rumsfeld apparently told Russian Defense Minister Igor Ivanov that the U.S. wouldn't send ships, because they had received the invitation too late. Commander of the Russian Navy Central headquarters Viktor Kravchenko said the invitation had been sent out on time.

According to several press accounts, Konstantin Pulikovsky, special envoy of the Russian President to the Far-East Federal

District, explained that the exercise seeks to improve interaction among Federal and regional government, military and law-enforcement agencies in emergency situations. The Russian Federal Security Service, the Interior Ministry, the Transportation Ministry, the Atomic Energy Ministry, the Emergencies Ministry, the Interior Ministry, and others will also participate.

The aim of the exercises is to fight terrorism and piracy, protect natural resources, and improve regional cooperation in natural disasters, as well as to improve cooperation in fighting against the illegal exploitation of marine biological resources, and in ensuring ecological and navigation safety.

Russia's Baltic Fleet also began an exercise the same day, lasting until Aug. 21.

President Putin Reviewed Combat Readiness With Chief of General Staff

Anatoli Kvashnin and President Vladimir Putin conferred on Aug. 12 with Anatoly Kvashnin, Russia's Chief of the General Staff, on mobilization and combat readiness of the Pacific Fleet, the Air Force and Rocket Forces, as well as of several crucial military districts, like Volga-Urals and Siberia. The meeting took place several days before the Pacific Fleet's strategic exercises began.

In the meeting, Putin called for improvements of the aircraft and combat equipment of the air force, especially nuclear weapons, and including "big ones." Furthermore, air defenses, which cover only 50% of air space, and in some districts, only 35%, will be upgraded. The new anti-air defense missile S-400 will be supplied to the forces beginning next year, and interceptor squadrons of the air force are to be upgraded, as well.

Russia's Far Eastern Primorye Region Prepared To Receive Potential 100,000 'Forced Migrants'

In case of what they described as an "emergency in the Northeast Asian nations bordering Russia," Russia's Primorye region is prepared to receive 100,00 "forced migrants, Oleg Melnikov, chairman of the emergency commission of Primorye territory, announced on Aug. 12. Melnikov's reference is understood to be to North Korea, in particular.

Melnikov also said that a task of the large-scale exercises being held in the Russian Far East, is to build centers for receiving refugees. The issues of introducing a "state of emergency" in Primorye, due to natural disasters, mass poaching, terrorism, or radiation contamination, are among those on the program of the exercises.

Russian frontier guards are holding tactical, unilateral exercises in the Far East region, separately from the huge naval exercises. These will last until Aug. 25. The exercises will involve training on border protection on land, and protection of Russia's seas.

Russians Celebrate 60th Anniversary of Battle of Kursk, Turning Point in World War II

Russians commemorated the 60th anniversary of the Battle of Kursk, which included the greatest tank battle in history, on Aug. 19.

The Battle of Kursk was fought from July 5 to Aug. 23, 1943. Some 4 million soldiers, almost 70,000 weapons, 13,200 tanks, and 12,000 airplanes were engaged. On July 12, at Prokhorovka, 1,200 tanks fought out the greatest tank conflict in history. The vast majority of the tanks were totally destroyed.

The German forces in the Soviet Union, although they had lost Stalingrad, were far from defeated when this battle was launched. They controlled vast areas, had many new technologies, including the new Tiger tanks, and a very experienced fighting force. Their aim was to surround and defeat the Soviet forces, which were driving west.

The Soviets launched a massive counteroffensive, and crushed the German forces, who lost 500,000 men, 1,500 tanks, and 3,700 airplanes.

The critical factors that led to the Soviet victory, were that the Soviet High Command learned, and applied, the lessons of the German battle tactics which had been so effective in 1941, and they got Stalin to stop interfering in direct military planning—something the German military never was able to do with Adolf Hitler.

After Kursk, the German Army in the east was forced to end all offensives, and attempt strategic defense, but was relentlessly driven west by the Soviet forces.

President Putin Announces That Russia Is Joining the Organization of Islamic Conference

President Vladimir Putin officially declared that Russia will join the Organization of Islamic Conference. This prospect had been discussed in Kuala Lumpur by Vladimir Putin and Malaysia's Prime Minister Mohammad Mahathir. Mr. Putin's decision was very positively viewed in Muslim countries, reports *Gazeta*. At a joint press conference with Veniamin Popov, Russia's representative to the OIC, Putin emphasized that Russia's 20 million Muslims "have got a full right to recognize themselves as a part of the international Muslim community."

Russia will attend OIC's October summit as an observer.

Iranian Leadership Rejects Pressures on Joint Nuclear Reactor With Russia

In a telephone conversation on Aug. 18 with his Russian counterpart, Iranian Foreign Minister Kharrazi stressed the peaceful nature of the joint Iranian-Russian nuclear program, and briefed Foreign Minister Ivanov on the recent contacts with the IAEA, whose delegation visited Iran. According to a Russian Foreign Ministry statement, the two agreed to continue bilateral talks at the expert level.

The Supreme Leader of the Islamic Revolution, Ayatollah Khamenei, made a speech the same day to an assembly of Iranian ambassadors abroad, in which he vowed that Iran would never renounce its "fundamental values," and said, "there is no price for our national pride," a term usually referring to the nuclear program. He explicitly referred to the pressures on Iran, saying "The country's nuclear technology is truly indigenous, and aimed merely at peaceful purposes." He reiterated that Iran "would never resort to the use of weapons of mass destruction." He also said, referring to the insistence that Iran abandon the technology: "Such stands and requests are unjust, and illogical, and the Islamic Republic of Iran would never yield to them."

And Iranian Foreign Ministry spokesman Reza Asefi, speaking on Aug. 18, said that Israel would pay a dear price if it bombed the Bushehr nuclear plant, as it bombed Iraq's Osirak reactor in 1981.

The Israeli paper *Ha'aretz* on Aug. 18 noted that the foreign ministers of Britain, France, Germany, and Russia have sent a letter to Iran, demanding that that country sign an international protocol to the Non-Proliferation Treaty. It has not been confirmed that the letter was sent; however, a French report to the Nuclear Supply Group, contained in an Aug. 4 *Los Angeles Times* story about Iran's nuclear program, has been acknowledged as authentic by the French Foreign Ministry. That report indicated French concerns about Iran's program, and recommended that no one provide supplies that could be

used for weapons.

Sixth International Aerospace Show Begins in Moscow, Opened By President Putin

Moscow's Sixth Air Show and Exhibit, MAKS-2003, opened on Aug. 19. President Putin attended, and was shown Russian-designed aircraft, which included several new fighters. Air Force Commander Vladimir Mikhailov assured Putin that the new MIG is "almost a fifth-generation aircraft," which is loaded with new equipment.

Numerous cooperation deals have been signed between Russia and European aerospace firms at the air show. Among them are follow-up deals between Rosaviacosmos and ESA on the future space-launching site which the Russians have begun to build in French Guyana, near the site from which Europe's ARIANE carriers are launched.

And the predominantly Franco-German EADS is about to sign agreements with leading Russian aircraft producers for components that the Russians can build for both the civilian and (future) military versions of the Airbus airliner.

Of some interest is the fact that a German-Russian agreement has been signed concerning the launching of German-European military satellites from the Plesetsk space-launching site in northwestern Russia. Russia's space troops will carry that out; the western part of it will be handled by Germany's OHB Systems firm. The launches are to begin in 2005, and the contract covers the two following years, as well.

Rosoboroneksport, Russia's state enterprise for this sector, stated in its press release on the contract that "it testifies to the further expansion of cooperation between Russian aircraft-building enterprises and their Western colleagues, and proves the existence of a big potential in Russian-German interaction."

Present at the exhibition was Boeing, which showed off its new design of a passenger plane, B-7E7. The United States also had F-15s and the B-52 bomber on display.

Yuri Koptev, head of Russia's Space Agency (RAKA), reported that Russian companies signed several contracts for aircraft at the exhibition.

Asia News Digest

China Pressures Howard To Postpone North Korea Blockade Plans

Plans to rehearse a sea blockade against North Korea in the Coral Sea in September, which were to include the U.S., Australia, and any other countries they could drag along, were put on hold by Australian Prime Minister John Howard during his visit to Beijing on Aug. 19. Howard, desperate to hang on to the increasingly important Chinese investment and trade relations, was clearly pressured by the Chinese to cancel the provocative exercises. Howard said that the exercises were "now rather in the background, on the back burner, because of the very helpful trends which have emerged," in China's dealing with the North Korean crisis.

Howard claimed that Australia and China had virtually identical goals for North Korea, in seeking a peaceful outcome that guaranteed Pyongyang had no nuclear capacity. He said Beijing was the "ideal location" for the peace talks.

High-Powered U.S. Diplomatic Team Announced for Philippines Talks

The United States has asked five of its former ambassadors to the Philippines, and other high-profile diplomats, to mediate in an "unofficial capacity," in the talks between the Philippine government and the Moro Islamic Liberation Front (MILF), the U.S. embassy in Manila announced Aug. 19. The open conflict between State and Defense Departments in recent months has extended to the issue of the role of the U.S. military in the Philippines. Such "big guns" from State may indicate an effort to circumvent the neo-cons at DOD, who want to re-establish a permanent U.S. military presence in the Philippines, using the "war on terrorism" in the southern provinces as an excuse.

The envoys invited to participate are Richard Solomon, Nicholas Platt, Stephen Bosworth, Richard W. Murphy, and Frank Wisner, all of whom are participating under the auspices of the U.S. Institute for Peace, with the talks to be conducted in Kuala Lumpur, Malaysia. Also invited to participate are Chester A Crocker, Marine Corps Gen. (ret.) Anthony Zinni, and former Deputy Chief of Mission in Manila Eugene Martin. Murphy, Zinni, USIP president Dr. Harriet Hentges, and Martin were in Manila last week to meet President Gloria Macapagal-Arroyo, the government's negotiating team, Moro leaders, senior police and military, House and Senate members, religious leaders, and civil society. Philippines Foreign Minister Ople said talks would start before the end of August.

Rebel Philippines Officers Testify on Mutiny

Testifying before a government-appointed commission of inquiry, the head of the recent abortive coup attempt against President Gloria Macapagal-Arroyo, Lt. Antonio Trillanes, said that he had met directly with President Arroyo just two weeks before the July 27 action, and told her that Defense Minister Reyes and Army Intelligence chief Corpus were selling arms to the terrorists and separatists, and were complicit in terrorist bombings, but that Arroyo had refused to listen. "Instead of opening her mind to the serious allegations," he said, "she went on berating me and paraded me through the media. I cannot find the words to describe how arrogant our President was."

He denied allegations that he and his associates were attempting a coup. He also urged the firing of all the generals: "You can count on one hand the morally upright generals in the Armed Forces."

Another of the mutineers reported that he had been ordered to organize an operation to throw grenades into mosques, which he had refused to do. The Commission told him they were only interested in hearing about the mutiny.

Philippines Asked To Allow U.S. Military Base There

U.S. bases in the Philippines were closed down 12 years ago, when the Philippines Senate refused to extend a treaty. Foreign bases on Philippine soil were subsequently banned in the country's Constitution. On Aug. 18, however, Pentagon officials, led by U.S. Army Gen. (ret.) Robert Sennewald, raised the issue with the Presidential Commission on the Visiting Forces Agreement during a closed-door briefing at the Philippines Department of Foreign Affairs. *EIR's* Lyndon LaRouche has warned for some time, that this was the intent all along in the U.S. military involvement in "terrorist hunting" in the Philippines, whose ultimate aim is a confrontation with China.

"They said the Philippines might miss important opportunities in the relocation of U.S. military facilities in East Asia. They wanted to know if the Philippines is taking advantage of some of these relocations," said Hermes Dorado, deputy executive director of the commission. Foreign affairs undersecretary Amado Valdez, executive director of the commission, said Filipinos have reservations toward the idea of re-basing, and instead proposed the establishment of an international facility in Clark and Subic that may be used by other countries, such as Singapore and Australia.

Dorado said, "I told them that we have a love-hate relationship. We support the U.S. and all its activities worldwide, but when it comes to returning the bases here, it will be difficult. The answer to that question is difficult to predict, considering that there is a need for recognition of sovereignty."

Australia's Howard Imposes His Man on Pacific Islands Forum

Overturning the standing policy of the 16 member nations of the Pacific Islands Forum for choosing their secretary general by consensus, Australian Prime Minister John Howard demanded, when there was no consensus, that the members vote by secret ballot for Greg Urwin, Howard's choice as "pro-consul" to the mini-states of the South Pacific. Howard said Urwin will lead the group in scrapping the policy of respect for sovereignty, endorsing the recent Australian military intervention in the Solomon Islands, and setting up a "regional police training initiative," run by the Aussies, as a step toward a regional intervention force. Similar interventions for economic and "governance" misdeeds (in the eyes of Howard) are being prepared, in what the *Australian Financial Review* called "a further erosion of the Forum's traditional unwillingness to interfere in members' internal political affairs."

New Zealand Prime Minister Helen Clark gave her endorsement to the "reforms."

Afghanistan Continues Descent into Chaos

As violence erupts all over eastern and southeastern Afghanistan (there is evidence that the Afghan rebels—some of whom are Taliban, while others definitely are not—are behind it) a vehicle belonging to the British charity Save the Children-U.K. came under gunfire in the northern province of Badakhshan on Aug. 19. This is the first time such an incident has been reported from Badakhshan in recent days.

On the same day, a bomb ripped through the home of Ahmed Wali Karzai, brother of Afghan interim President Hamid Karzai, in Kandahar. There was no comment from President Karzai, who was the target of an attempted assassination in southern Kandahar on Sept. 5, 2002.

Attacks by anti-government insurgents have become increasingly bold and deadly in recent days, despite the presence of about 11,000 U.S.-UK coalition forces and 5,000 international troops, now under NATO. Hundreds of rebels are attacking the police stations each day, in eastern Afghanistan, particularly in the provinces of Paktika, Kunar, Paktia, and Nangarhar. Reports indicate that the eastern province attacks were coordinated by Jalaluddin Haqqani, a former Mujahideen and former Taliban Minister of frontier affairs, and the former Governor of Nangarhar province, Mullah Abdul Kabir.

Pakistani Cleric Declares *Fatwa* Against Iraq Deployments

Maulana Samiul Haq, leader of Muttahida Majlis-e-Amal (MMA), the six-party opposition Islamic group, and the main opposition party in the National Assembly of Pakistan, read out a *fatwa* (edict) on the occasion of Pakistan's Independence Day Aug. 14. It said: "Sending Pakistani troops [to Iraq], whose basic duties include jihad, and whose country's Constitution vows loyalty to Muslims of the entire Islamic world, is not only against the orders of the Holy Koran, and against the collective conscience of the Islamic community, but is also against the Pakistan Constitution and against the manifesto of the armed forces."

Maulana Samiul Haq said any Muslim who goes to Iraq to fight on behalf of the United States would run the risk of losing his right to remain a Muslim. "If any Muslim dies in the hands of the Iraqis, he won't deserve to be called a Muslim, but will be considered guilty of committing the cardinal sin of trying to kill fellow Muslims." He even threatened these "sinners" that for them, even the funeral prayers may not be said. "I say his body can be then sent to America, so Bush can perform his burial rites," Maulana Samiul Haq added.

South Korean Crisis Deepens

After driving Hyundai Asan chairman Chung Mong-hun to suicide Aug. 4, the Seoul prosecutors (involved in investigating charges that Hyundai paid huge sums of money to North Korea to facilitate the meeting between the North's Kim Jong-il and South Korea's then-President Kim Dae-jung) on Aug. 11 expanded their witch-hunt, arresting Kwon Roh-kap, adviser to the ruling Millennium Democratic Party and key confidante to former President Kim Dae-jung, for accepting "several million dollars" in bribes from Hyundai in 2000. Investigators raided Kwon's house and dragged him in for questioning, saying that "crucial evidence was obtained during a round of questioning of the late Hyundai Asan chairman Chung Mong-hun last month."

"Chung Mong Hun's death puts a huge question mark over the future of investment in North Korea," said author Michael Breen to the *New York Times* Aug. 7. Chung won permission for tour buses to start crossing the demilitarized zone this September—the first over-land crossing of the DMZ in over 50 years. But this was only weeks after Seoul's right-wing-controlled National Assembly voted to cut the project off from further government subsidies, which totalled \$18 million last year. Without the government subsidies, Hyundai Asan, Chung's flagship company, has to operate deeply in the red in the North.

And now, thanks to the IMF's free-market "reforms," Hyundai's old business methods can't help them avoid bankruptcy. "When he [Chung] looked at North Korea, he thought of the old way the Koreans made business: nation-building, and not primarily looking at profit," Breen points out, quite accurately. "You bribe where you have to, you borrow where you have to, you go into debt—but in the end, the result is worth it. Well, most companies here [in Seoul] can't operate like that anymore," he points out.

Hyundai Asan is now going broke, but Chung's five brothers, who each run another Hyundai company, have all declined to bail out Hyundai Asan. "Officers at the Hyundai Motor Group have said they must make investment decisions based on profit potential, pointedly noting that 46% of their shareholders are foreigners," as the *New York Times* put it.

U.S. Blocks SE Asian Governments' Access to Terrorist Hambali

The U.S. appears not to be sharing whatever it may have gleaned from the interrogation of alleged al-Qaeda/Jemaah Islamiya suspect Hambali. In fact, the U.S. is not revealing even where Hambali is being held, although he was taken into custody by a Thai/CIA team, in Thailand, sometime in early August.

Indonesian President Megawati Sukarnoputri, whose nation has been the hardest hit by terror bombings, had to call President George W. Bush on Aug. 16 to ask for access to Hambali, an Indonesian citizen. Repeated requests have thus far gained no results. ASEAN sources have expressed concern that Hambali may be shipped to Guantanamo, and thus out of their reach.

Hambali is a product of the U.S.-backed anti-Soviet movement in Afghanistan, where he was a graduate of Mujahideen training. His wife, Noralwizah Lee Abdullah, from Malaysia's Sabah province, was turned over to Malaysia, where she is being held under the country's Internal Security Act.

China Rejects Isolation of Myanmar

Unlike the United States and the European Union, China is playing a critical role in seeking a way out of the political deadlock in Myanmar (Burma). In late August, Beijing hosted 32 top leaders of Burma's State Peace and Development Council in a visit to China.

China agreed on Aug. 16 to advance a U.S.\$200-million loan for a power project near Myanmar's second-largest city Mandalay, amid reports that China is discussing further military cooperation. China has rejected the resort to sanctions, and has clearly indicated it will not back efforts to isolate the junta.

In a statement issued in Beijing, Guo Boxiong, Vice Chairman of the Chinese Central Military Commission, said: "The people of China are keen to develop the long-standing friendly, neighborly, and cooperative ties with Myanmar in the new century." The economic importance of the talks can be seen in the presence of Gen. Maung Aye, No. 2 in the Myanmar government, and deputy head of the armed forces. Maung Aye is also chairman of the key National Industrial Development Committee, the National Agricultural and Economic Development Committee, and the National Trade Committee. He is joined by two other senior government leaders with important economic posts, Lt. Gen. Thura Shwe Mann and Lt.-Gen. Soe Win.

Africa News Digest

Chinese Now Building Massive Zimbabwe Irrigation Project

The Chinese quietly arrived in Zimbabwe in May and began work on Zimbabwe's great Nuanetsi irrigation project. In February, the Zimbabwe government contracted with Chinese Water and Electrical International to clear 100,000 hectares of land in Masvingo province, in the southeast, and build on it the infrastructure needed for irrigation farming to grow maize and sorghum. Zimbabweans will farm the land. The Zimbabwe government had declared irrigation to be of strategic national importance.

As the Chinese began work in May, the Zimbabwe government announced an increase in the project's size to 150,000 hectares (that's 375,000 acres, or 586 square miles—or half the area of Rhode Island).

A key feature of the plan is to use the irrigation to make possible a third (winter) crop each year. Zimbabwe successfully grew its first-ever winter maize crop in 2002.

When complete, the project is expected to produce an average annual yield of 3 million tons of maize. Zimbabwe's domestic requirement is only 2.1 million tons or less.

Reportedly, the Chinese company is accepting payment in Zimbabwean currency, which would make the project virtually a gift to Zimbabwe and southern Africa.

Chinese Plan Zimbabwe Mining, Iron, and Steel Projects

A Chinese delegation was in Zimbabwe for a five-day visit to explore mining and iron and steel opportunities, the *Herald* (Harare) reported Aug. 16. The delegation of five members included the chairman of the Chinese Metropolitan Mining Corporation, Yang Chang Heng. The delegation held a meeting with officials of the Zimbabwe Mining and Smelting Company, Zimbabwe Iron and Steel Company (Zisco), ZimAlloys, and others. The Chinese said that China could provide the finance, technology and market to exploit Zimbabwe's resources. They said that feasibility studies had already been done, and that developments should be expected "as soon as possible," starting with the mining of chrome (Zimbabwe already has an annual production of 250,000 tons). The Chinese are interested in investing in Zisco's iron and steel production, and in the coke ovens at the Wankie Colliery.

International Crisis Group: Oust Mugabe Now, Restore IMF

The time for African leaders to get rid of Zimbabwe President Robert Mugabe is now, and quickly, John Prendergast wrote in an Aug. 6 op-ed in Johannesburg's *Business Day*. Prendergast is the special adviser on Africa to the International Crisis Group (ICG). He was formerly with the U.S. National Security Council and State Department.

Should opposition leader (and British puppet) Morgan Tsvangirai be convicted in his trial for treason, Prendergast wrote, compromise between government and opposition may cease to be possible. Speaking of the ruling party, Prendergast said, "Zanu-PF leaders know they must turn the economy around. Important party figures are speaking of the need to rebuild bridges with the IMF and investors."

"The situation cries out for South Africa's deeper engagement," he wrote. "A serious, internationally supported negotiation is the only route to a solution in Zimbabwe. Informal talks are no substitute for such a formal diplomatic process." Prendergast added, "The time to act is now."

Mugabe invited the Chinese to help with irrigation, mining, and steelmaking as part of his plan to get rid of the IMF for good.

India and South Africa Join for Oil and Gas Projects

India and South Africa will soon sign an agreement to jointly develop projects in South Africa, India, and third countries in petroleum products; hydrocarbon exploration and production; refining and storage; distribution and trading of petroleum products; gas processing facilities; and gas transmission networks for compressed natural gas projects.

India's Petroleum Ministry said, according to the *Financial Express* (New Delhi) Aug. 17, "Africa is our major destination for equity participation in the oil and gas sector, in countries like Libya, Sudan, Algeria, Angola, Nigeria and many other small republics of Africa that have considerable oil and gas reserves.... India's presence in the African region, alongside the regional superpowers like South Africa, will give India an unique status and would help in getting preference, over other countries, in equity participation in the oil and gas opportunities in the region."

Malaysia Studies Algerian Roadbuilding Request

Malaysia is studying a request by the Algerian government to build an \$8-billion road across Algeria. The east-west road, more than 2,000 km (1,240 miles) long, is described as "part of the Algerian government's infrastructure program to develop a sophisticated road system to enhance its economic development," in the *New Straits Times* of Aug. 18. The deal was worked out during Malaysian Prime Minister Dr. Mahathir bin Mohamed's visit to Algeria this month.

Mahathir arrived in Algeria, along with his wife and a delegation of 127 people, including four ministers, three state governors, six MPs, and 50 businessmen, on Aug. 10, for a visit focussed on trade and investment opportunities. Malaysian Foreign Minister Syed Hamid Albar said, "Algeria has shown a lot of interest in Malaysia's success, and is impressed by its achievements." In fact, Algeria had asked Malaysia to undertake a study of its economy and make recommendations for investment opportunities in agriculture, industry, telecommunications, and tourism. Malaysia's Economic Planning Unit has presented its findings to the Algerian government.

Brazil, India, China Plan to Get Tough at WTO Cancun Meet

At the World Trade Organization (WTO) meeting in Cancun, Mexico, which begins Sept. 10, Brazil, India, and China plan to demand that advanced-sector countries take the lead in moving toward free trade, if they expect any further liberalization on the part of the rest of the world. There are, however, risks in playing the game of "You swallow the poison first."

Thirteen other Ibero-American, Asian and African countries have adopted the Brazil-India-China approach, according to *Sapa-AP* Aug. 20. European Union senior negotiator Peter Carl grumbled that this was not a useful contribution to the negotiations.

South African Case Shows What's Needed Is Protection

At an Aug. 19 South African national consultative conference in advance of the WTO ministerial meeting in Cancun, business warned government against giving in to demands by the advanced sector for further cuts in tariffs on industrial goods, which would reduce South Africa's "protection of the domestic economy." South African tariff cuts in the WTO Uruguay round of talks led to "massive job losses at least in some sectors and industry restructuring," according to *Business Day* Aug. 20. The spokesman for business at the consultation was from the Steel and Engineering Industries Federation of South Africa (SEIFSA).

South Africa's representative at WTO headquarters, Faizel Ismail, indicated in response that at Cancun, SA would tell developed countries that they should reduce industrial tariffs and open their markets at a faster rate than other countries—the Brazil-India-China approach. Ismail suggested that SA and other developing countries would resist the inclusion of the "Singapore issues" at Cancun (new restrictions in the areas of investment, competition policy, transparency in government procurement, and trade facilitation).

Rob Davies of the South African Parliament's Trade and Industry Portfolio Committee pointed out that developing countries had liberalized substantially over the past few years, while developed countries had maintained high barriers, particularly against products for which developing countries were competitive. (Or, as reporter Jaspreet Kindra put it, in the *South African Mail & Guardian* July 16, "The developed world does not implement trade agreements.")

Sudan Peace Talks at a Standstill*

Talks in Kenya between the government of Sudan and the Sudan People's Liberation Army/Movement (SPLA/M) were adjourned indefinitely the night of Aug. 18.

In Sudan's capital, Khartoum, John Prendergast of the International Crisis Group—a surrogate for the Anglo-American powers—told the daily *Al Sahafa*, "The mediators, if a final agreement is not struck by the two parties, will draw up a document by themselves and place it before the two parties saying, 'take it or leave it.'" The Intergovernmental Authority for Development (IGAD) "mediators" produced the July 12 Nakuru draft that promotes southern secession. IGAD includes Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Uganda, and Somalia. Except for Sudan and Somalia, they all take part in the regional taskforce to prevent terrorism led by the U.S. Central Command, founded July 30.

The stalemate arises because the SPLA/M says further talks must be based on the July 12 Nakuru draft, while the government says they must not be. The renewal of war between North and South is a serious danger.

The Bush Administration has set October as a deadline for progress in the peace talks, before it imposes sanctions on the government of Sudan.

The Foreign Ministers of Egypt and Kenyan blamed the SPLA/M for the deadlock, but Sudan's Foreign Minister Mustafa Othman Ismael went deeper Aug. 20 in blaming Washington.

Ismael said the problem was Washington's inability "to withstand pressure groups formed by the former U.S.

Administration on which the [rebel] movement is based." He added that the policies of the Clinton Administration "included economic sanctions and placed Sudan on the terrorism sponsor list." Of course, the Dick Cheney-led faction in the Bush Administration is even more determined than the Clinton Administration was, to put Sudan there and keep it there.

Liberian Peace Accord Signed

A Liberian peace agreement that organizes a two-year interim government—to precede elections—was signed in Accra, the capital of Ghana, on Aug. 18 by the LURD and MODEL rebel organizations, the government of President Charles Taylor's successor Moses Blah, noncombatant Liberian political parties, and other Liberian organizations. The agreement excludes the three combatant forces from the two leading positions—chairman and deputy chairman—in the new administration. Instead, the civilian signatories have named three candidates for each post and the combatant forces are to name the chairman and deputy from these candidates.

The accord assigns Cabinet posts to combatants and political parties. It also assigns a number of seats in Parliament to each.

The signing was witnessed by ECOWAS chairman and Ghanaian President John Kufuor and representatives of the UN, EU, and African Union. "The United States has had an influential delegation at the talks," *Associated Press* reported Aug. 18.

In Monrovia, LURD fighters retreated beyond the River Po Aug. 17, and ECOWAS peacekeepers are manning a checkpoint at the bridge, preventing them from entering the city unless unarmed. There are now 1,000 ECOWAS peacekeepers, with another 2,250 expected. The peacekeepers began digging trenches Aug. 18 for self-defense if necessary. There are 300 U.S. troops in Monrovia. Ships laden with food and other relief are now docking. The city is still without any central potable water supply or electricity.

Since there has been no disarming, government forces are still able to shoot and loot at night. During the day, peace reigns; the streets are filled with cars, buses and taxis. But there is late word of renewed fighting in the country's second-largest city, Buchanan.

Gyude Bryant Selected Chairman of Liberian Transition

Monrovia businessman Gyude Bryant was chosen Aug. 21 as chairman of the Liberian transitional government that will govern until 2006.

Bryant is chairman of the Liberia Action Party and a prominent Anglican layman. Bryant's company in Monrovia specializes in mining and port machinery. He graduated from Cuttington College, a private institution in rural Liberia, with a bachelor's degree in economics, and first worked at the Mesurado Fishing Company before joining the National Port Authority as assistant field manager. He began his own company in 1977. Along with Ellen Johnson Sirleaf—a banker and recently a UN official—Bryant was a founding member of the Liberia Action Party in 1984; he became chairman in 1992. Unlike many politicians who went into exile, Bryant never left Liberia throughout the years of the war.

Zambia Plans Links with Neighbors in Development Corridor

Zambia plans to build a "development corridor" of roads, bridges, and rails in the area of the Zambezi River to link Zambia with its neighbors, Zimbabwe, Botswana, Namibia and Angola. Zambian Vice President Nevers Mumba reported this to

Parliament Aug. 19, in saying the government would initiate programs to facilitate production and regional integration. The plans involve rehabilitating a road and rail line along the southwest border, construction there of a road bridge into Botswana, and a link with eastern Angola.

These same countries (and South Africa) are to be the beneficiaries of the Kasai-Zambezi-Okavango water diversion plan developed by Namibian President Sam Nujoma. The diverted water will flow in the Zambezi River through Zambia's planned development corridor.

This Week in History

Aug. 25-Aug. 31, 1935

To those who know the minds of the financial oligarchy, it should be no surprise to realize that, just at the time that deregulation is provably destroying the flow of electric power to the nation, the leading political mouthpieces of the Republican Party are demanding the removal of the last regulatory safeguards which are still in place. Specifically, the new Bush Administration energy bill, passed by both Houses of Congress, and shaped by Vice President Dick Cheney's task force, calls for the repeal of the Public Utilities Holding Company Act (PUHCA), an Act which played an indispensable role in ensuring the provision of cheap electricity throughout the United States from 1935 on.

The PUHCA was signed into law on Aug. 26, 1935. It was supplemented by the Federal Power Act of 1935, which enhanced the regulatory powers of the Federal Power Commission (which is today called the Federal Energy Regulatory Commission.) - The Background -

In the 1930s, President Franklin D. Roosevelt faced a situation that in contour and geometry is similar to today's. The largest financial houses of Wall Street, in particular JP Morgan, working through two of its large holding companies, the United Corp. and General Electric Corp., bought up, through a large number of mergers, most of the nation's electric power-generating and transmission-line capacity. One holding company would buy anywhere from 50 to 300 operating companies. Then, upon this one holding company, a second, new holding company would be piggybacked, and then a third holding company would be piggybacked upon that one, taking ownership of the second holding company, and so forth.

A huge financial bubble was built up, and the income stream was looted upward from the electric-power generating companies, up through the layers of holding companies, each of which extracted additional wealth, up finally to the small group of Wall Street families that controlled the process (the particular method by which the looting was done was different than today's, where the holding company is not used in the same way as the 1930s—but the principle is the same). This pillaged existing physical plant and equipment, as there was no money left, after paying the profiteers, for physical investment. The holding companies also charged customers higher prices. Regulation of a serious type was not permitted.

Writing about the Act, Roosevelt said, "Through the device of these pyramided holding companies, small groups of men with a disproportionately small investment were able to dominate and to manage solely in their own interest tremendous capital investment of other people's money." Elsewhere, he accused them of "looting." - The PUHCA Provisions -

The PUHCA provided some powerful provisions. Within Title I, it stipulated for the utility industry that the Securities and Exchange Commission should: regulate securities issues and intercompany transactions; lay down the principle that a holding company should not benefit from financial dealings with its own subsidiaries; and demand uniform systems of reporting and accounting (this could be adapted to the conditions of today).

Title II of PUHCA authorized the Federal Power Commission to integrate the utility operating companies into regional systems on the basis of technical efficiency, not of speculative manipulation. Thus, there might exist, for example, a holding company based in Pennsylvania that owned operating companies in Pennsylvania, Texas, and California. This practice was stopped and the holding company was restricted to owning only operating companies based within its region. A good number of holding companies which were speculative and could show "no useful economic function," *were forced to dissolve*, upon penalty of otherwise being dissolved by the U.S. government.

Supplementing the PUHCA, Roosevelt pushed through Congress the Federal Power Act (FPA) of 1935. The FPA expanded the powers of the Federal Power Commission to "regulate electric utilities' wholesale rates and transactions." Thus, the Federal Power Commission "establishes just and reasonable rates for the transmission and sales of wholesale electric power in interstate commerce. It also regulates permanent interconnections of electric utilities and promotes the adequacy of interstate electric power service."

The Federal Power Commission, which was later transformed into the Federal Energy Regulatory Commission and stripped of many of its powers, could set "rate-making." This is *not* setting a cap on prices. Rather, the Commission could set prices on the following basis: The electric utility, which had to open its books publicly, could charge a price that enabled it to cover its operating costs, plus a margin of surplus for investment in new and modernized plant and equipment. That's it—nothing more could be charged. Thus, Roosevelt and his allies established a "parity price" which functioned efficiently and well in the electric-generating and transmission industry (on the state level, this mechanism was applied for retail sales of electricity). For the next 60 years, this regulated system produced cheap and abundant energy for America's factories, farms, hospitals, schools, homes, etc.

This extensive power exists in the still-extant Public Utility Holding Company Act. No wonder the privateers want to get rid of it.

All rights reserved © 2003 EIRNS

[top of page](#)

[home page](#)